



**AusQuest Limited**

**ABN 35 091 542 451**

**Annual Report for the financial year ended  
30 June 2021**

# AusQuest Limited

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## **AusQuest Limited**

### **Corporate directory**

#### **Corporate directory**

##### **Board of Directors**

Mr Greg Hancock	Non-Executive Chairman
Mr Graeme Drew	Managing Director
Mr Chris Ellis	Non-Executive Director

##### **Company Secretary**

Mr Henko Vos

##### **Registered Office**

C/-Nexia Perth  
Level 3, 88 William Street  
Perth WA 6000  
Telephone: (61 8) 9463 2463  
Website: [www.nexia.com.au](http://www.nexia.com.au)

##### **Principal Office**

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Ardross WA 6153

Telephone: (61 8) 9364 3866  
Facsimile: (61 8) 9364 4892  
Website: [www.ausquest.com.au](http://www.ausquest.com.au)

##### **Auditors**

HLB Mann Judd (WA Partnership)  
Level 4, 130 Stirling Street  
Perth WA 6000

##### **Share Registry**

Advanced Share Registry Services Pty Ltd  
110 Stirling Highway  
Nedlands WA 6009

Telephone: (61 8) 9389 8033  
Facsimile: (61 8) 9389 7871  
Website: [www.advancedshare.com.au](http://www.advancedshare.com.au)

##### **Securities Exchange**

Australian Securities Exchange  
(Home Exchange: Perth, WA) Code: AQD

##### **Bankers**

Australia and New Zealand Bank  
135 Riseley Street  
Booragoon WA 6154

## **AusQuest Limited Chairman's letter**

Dear Shareholder

The 2021 financial year was a very active and productive year for AusQuest.

Despite continuing issues created by the COVID-19 pandemic, both in Peru and Australia, we were able to successfully develop, fund and roll out a significant exploration programme across our tenement portfolio in both countries.

Drilling programs were completed at six of our projects (four in Australia and two in Peru), with funding for these programs provided under our Strategic Alliance Agreement (SAA) with South32.

In Australia, we received significant encouragement from two phases of diamond drilling at the Hamilton Copper Project in north-west Queensland and air-core drilling at the Balladonia Copper-Nickel Project in the Fraser Range of Western Australia. As a result, we are planning to move forward with follow-up exploration (including drilling) at both projects under the SAA.

At the Tangadee and Gunanya Projects in WA, results from initial drilling led to South32 withdrawing from both projects – however, we decided to retain title over Gunanya (in the Paterson Province), as we believe the initial drilling did not adequately test the targets.

In Peru, Reverse Circulation drilling was completed at both the Cerro de Fierro and Parcoy Copper Projects, confirming the presence of widespread anomalous copper in both areas and providing strong indications of nearby copper mineralisation with vectors to high-priority targets for drilling in FY2022.

Drilling at the Los Otros porphyry copper project is also expected to commence in FY2022, with final approvals from the Government expected shortly.

Project generation work also continued throughout the year with new base metal opportunities secured in WA and Peru.

At the Morrisey Nickel-Copper Project in WA, priority targets have been identified and at Moora north of Perth, initial sampling results were encouraging. New base metal projects were also acquired in the Earraheedy Basin following Rumble Resources' discovery of lead-zinc mineralisation, and east of the Fraser Range, where new data analysis identified untested nickel potential.

In Peru, mapping and sampling commenced within tenements not covered by the SAA, in order to provide new opportunities for consideration under the SAA.

The Company continues to monitor advice from Government and health authorities with regard to restrictions imposed in relation to COVID-19, ensuring the health and well-being of our employees and contractors at all times. Our ongoing Strategic Alliance with South32 continued in a fully engaged and constructive manner, with all personnel working toward delivering positive results for both the Alliance and for our shareholders.

In conclusion, I would like to thank our Managing Director, Graeme Drew, and our team of consultants for their hard work and dedication during the year.

Yours faithfully



Greg Hancock

**Operations Review – 2021 Annual Report**

*Highlights – Year in Review*

**Australia – Copper, Gold, Zinc, Nickel**

- Encouraging assay results received from diamond drilling (11 holes/4,210m) completed at the **Hamilton Copper Project** in north-west Queensland under the Strategic Alliance Agreement (SAA) with a wholly-owned subsidiary of South32 Limited:
  - Assays confirmed the presence of mineralised banded iron formations (BIF's) similar to those hosting the Osborne copper-gold deposit (global resource: ~36Mt @ 2% Cu and 1g/t Au), located approximately 70km to the north. DHEM surveys are in progress to search for possible nearby mineralisation.
  - Strong potassic alteration and pathfinder elements within the BIF stratigraphy also suggest the potential for iron-oxide copper-gold (IOCG) mineralisation at Hamilton.
- Potential for nickel-copper and Broken Hill Type (BHT) mineralisation highlighted by air-core drilling of magnetic targets undertaken under the SAA at the **Balladonia Project**, located in the Fraser Range Province of Western Australia (WA).
- Three priority targets identified by helicopter-borne electromagnetic (HEM) surveys flown over the **Morrisey Nickel-Copper Project** in the Narryer Terrane of WA under the SAA. Sampling and ground EM surveys are planned for H2 2021 to identify potential drill targets.

**Peru – Copper-Gold**

- Widespread copper mineralisation confirmed within both the Cerro de Fierro and Parcoy Copper-Gold Projects by Reverse Circulation (RC) drilling programs (25 holes/~8,100m) completed under the SAA.
- At **Cerro de Fierro**, copper oxides were intersected at shallow depths in several wide-spaced drill-holes, as well as strong indications of buried porphyry copper mineralisation located in close proximity.
- At **Parcoy**, the maiden drilling program provided a “Proof-of-Concept” for manto-style copper mineralisation adjacent to the main structure.
- Further exploratory drilling to determine the full copper potential of both areas is being planned under the SAA. Drilling is expected to re-commence in H1 2022 pending final approvals from the Government.
- Seven new copper targets identified east of Cerro de Fierro, extending the prospective strike for up to 20km. Further exploration activity is being planned under the SAA.
- Permitting to allow drill testing of the **Los Otros** porphyry copper targets is due for completion in Q3 2021.

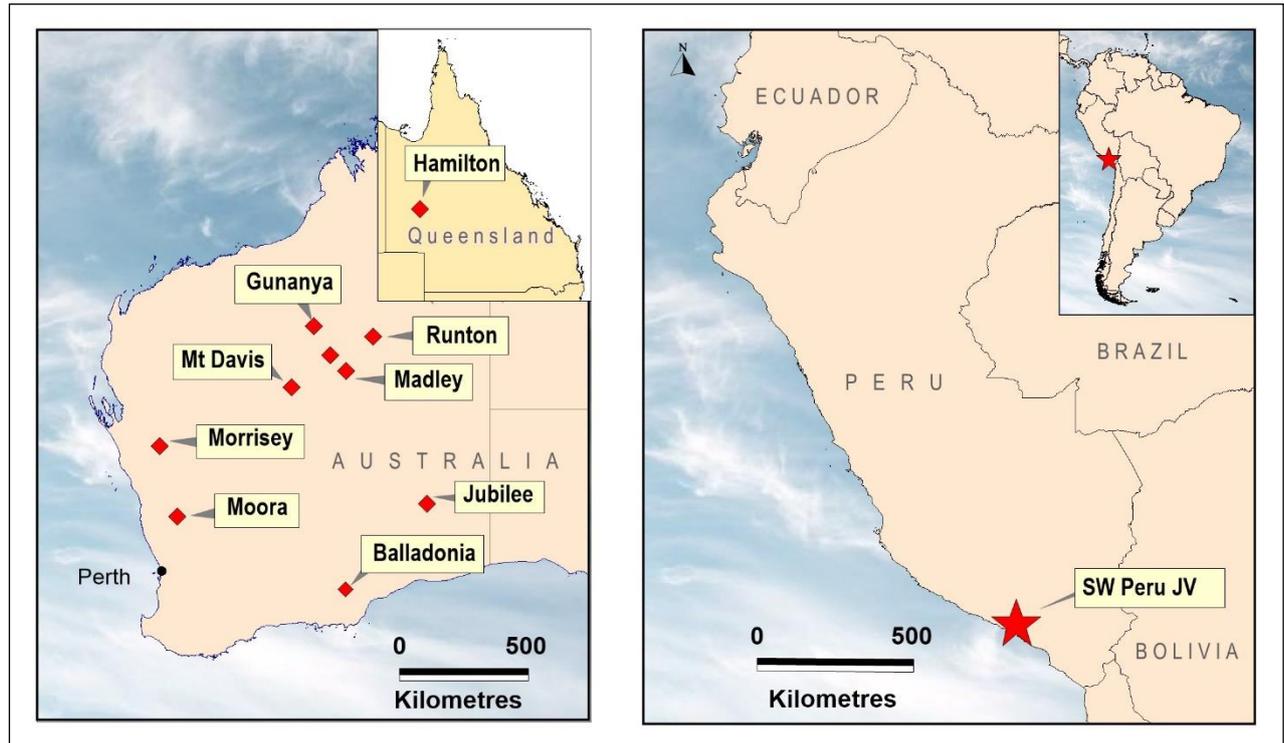


Figure 1: AusQuest Project Locations in Australia and Peru.

## **REVIEW OF PROJECTS**

### **AUSTRALIA BASE METALS: COPPER, GOLD, ZINC and NICKEL**

AusQuest controls approximately 5,500km<sup>2</sup> of exploration title within Australia – 5,000km<sup>2</sup> within Western Australia and 500km<sup>2</sup> within Queensland. Three of nine projects (Hamilton, Balladonia and Morrisey) are currently subject to the SAA with South32 while four (Moora, Gunanya, Runton and Madley) are 100%-owned by AusQuest and two (Mt Davis and Jubilee Lake) are still in the application stage.

#### **Hamilton Copper Project**

The Hamilton Project, which covers an area of ~500km<sup>2</sup>, is located in north-west Queensland, ~120km south of the Cannington mine. Limited historical drilling of magnetic and gravity targets in this area provided evidence for “near-miss” situations for Iron Oxide-Copper-Gold (IOCG) and Broken Hill Type (BHT) mineralisation.

During FY2021, two diamond drill programs were completed for a total of 11 holes and 4,210m in the search for copper (+/- gold) mineralisation associated with magnetic ironstone stratigraphy buried beneath approximately 200m of Eromanga Basin sediments.

Geochemical data from the first phase of drilling clearly outlined a large area of potassic alteration – a proximity indicator for IOCG mineralisation – encompassing several drill-holes within the southern magnetic complex and providing a sizeable target for further testing (*Figure 2*).

Drill-hole HMDD07, which intersected elevated levels of copper (up to 3,100ppm Cu) and gold (up to 80ppb Au), provided the strongest indications for nearby mineralisation while alteration (potassic/calcic) in drill-holes HMDD05 and HMDD11 was considered to be of sufficient interest to warrant further drilling.

In June 2021, a program of diamond drilling (4 holes/2,113m) was completed to follow up these targets and provide an initial test of a new magnetic target located ~15km to the north.

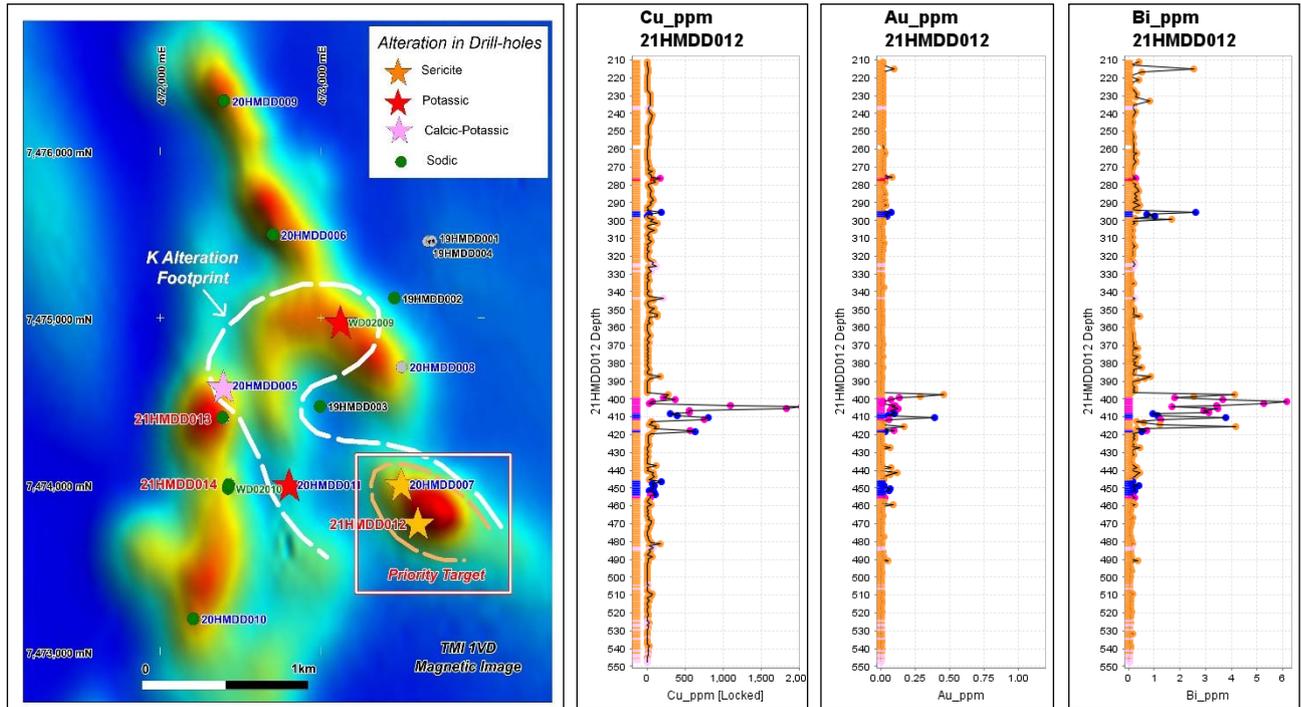


Figure 2: Hamilton South magnetics showing drill-hole locations & Cu-Au-Bi logs for HMDD012.

Results confirmed the presence of mineralised banded iron formations (BIF's) similar to those hosting other known base metal deposits within the Eastern Succession of the Mt Isa District, including the Osborne copper-gold deposit (global resource: ~36Mt @ 2% Cu and 1g/t Au), located approximately 70km to the north of Hamilton.

The mineralised BIF sequence contains anomalous pathfinder elements and is variably altered, ranging from strongly potassic to strongly calcic within the meta-sediments.

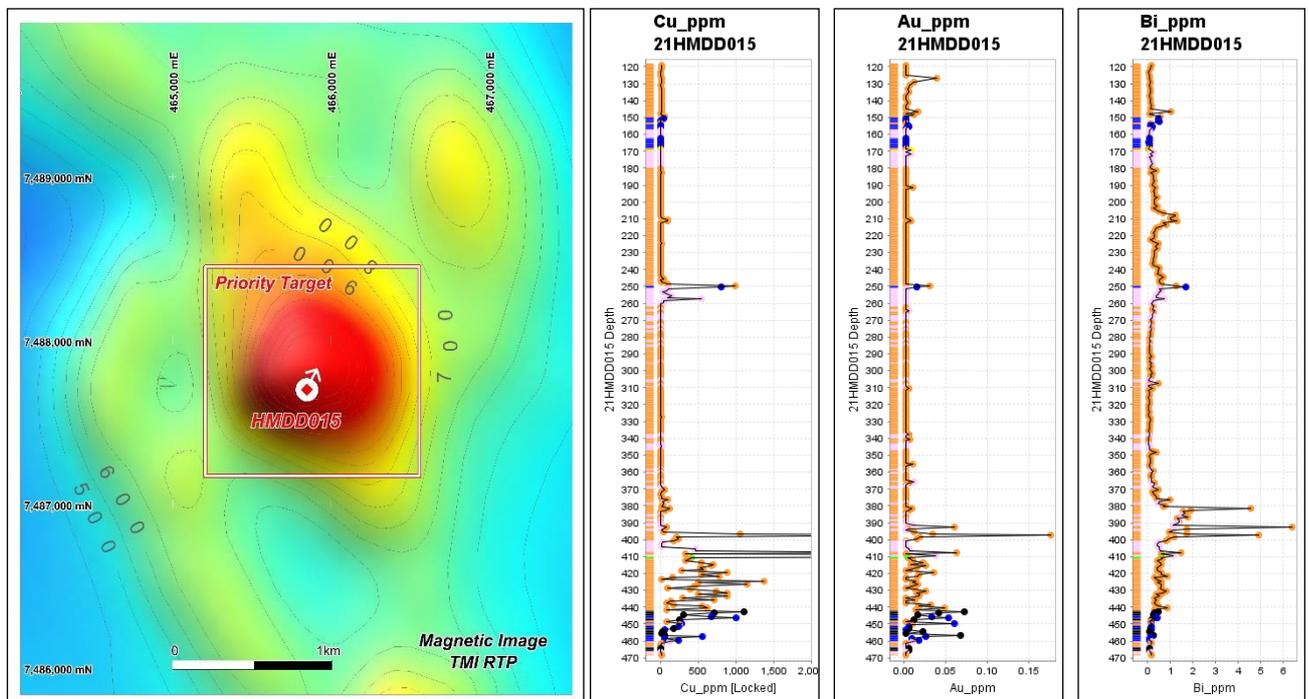


Figure 3: Hamilton North magnetics showing drill-hole locations & Cu-Au-Bi logs for HMDD015.

## AusQuest Limited Operations review

Drill-hole HMDD012, located within the southern magnetic complex close to HMDD07, returned 22m of highly anomalous copper (up to 2,000ppm Cu), anomalous pathfinder elements (Bi, Mo, Se, Sn, W, U, Te, S, Pb) plus elevated gold and LREEs from 396m down-hole, implying proximity to a mineralising system (*Figure 2*).

Drill-hole HMDD015, which was drilled into the northern magnetic complex, reported highly anomalous copper (up to 8,200ppm Cu), plus moderately elevated gold and pathfinder elements (Bi, Se, S) within a BIF sequence thickened (~60m) by folding, highlighting the possibility of favourable structural trap-sites (fold hinges) located nearby (*Figure 3*).

These results are considered highly encouraging and down-hole electromagnetic (DHEM) surveys are planned to test for sulphide mineralisation up to ~200m from each drill-hole. Off-hole conductors that are identified by the DHEM surveys will be targeted by further drilling.

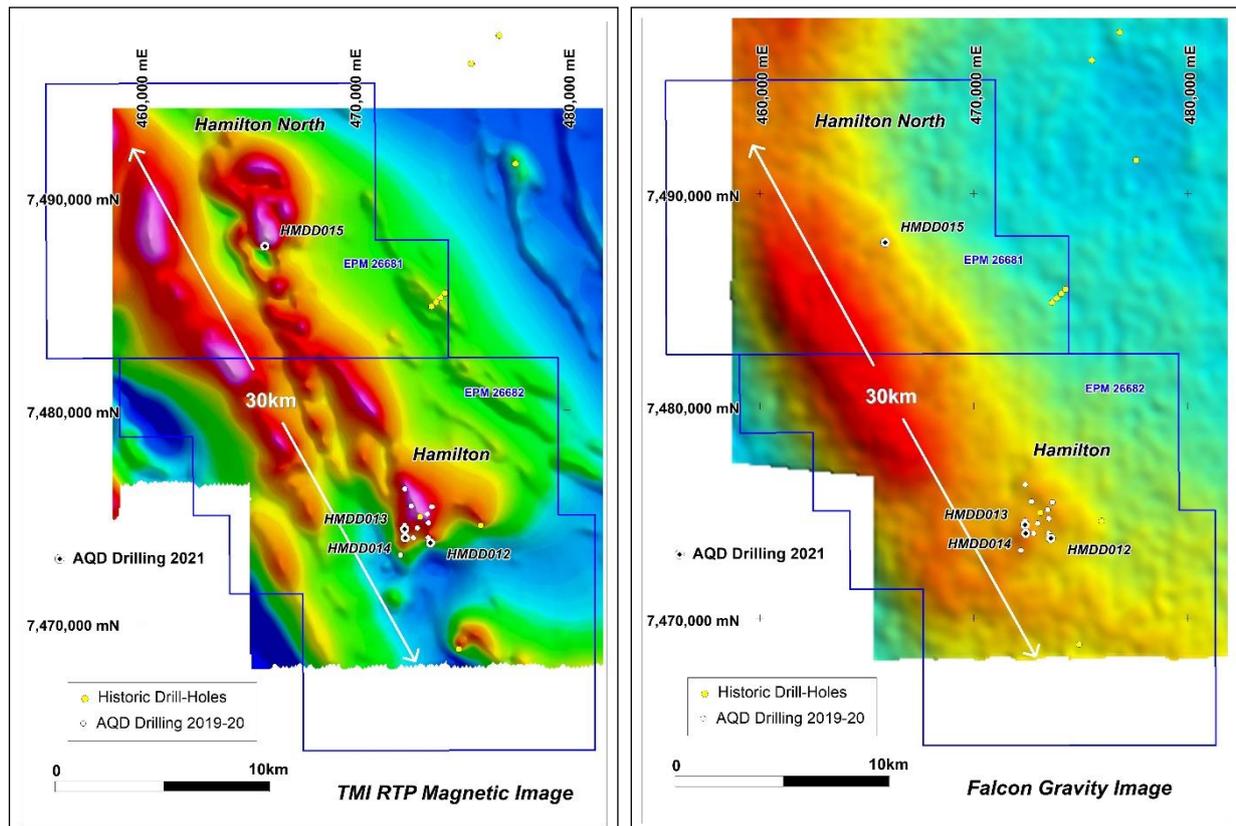


Figure 4: Hamilton Project magnetic and gravity target showing the location of drill-holes.

The Hamilton Project covers a belt of magnetic rocks extending over a strike length of approximately 30km from north to south, under Eromanga Basin cover which varies from ~190m thick in the north to ~220m in the south. Numerous targets within this belt have never been tested by drilling (*Figure 4*).

### Balladonia Nickel-Copper Project

The Balladonia Project, which covers an area of ~840km<sup>2</sup>, is located ~50km south of the Nova-Bollinger nickel-copper deposit within the Fraser Range region of Western Australia. Geological comparisons with the Eastern Succession of north-west Queensland (east of Mt Isa) – where iron-oxide copper-gold (IOCG) and Broken Hill Type (BHT) deposits are known to occur – are also apparent.

During the year, reconnaissance air-core drilling (54 holes/1,110m) designed to test four magnetic targets reported anomalous nickel-copper values associated with ultramafic rock types, as well as supporting the concept of Broken Hill Type (BHT) and/or iron-oxide copper-gold (IOCG) mineralisation associated with the magnetic targets (*Figure 5*).

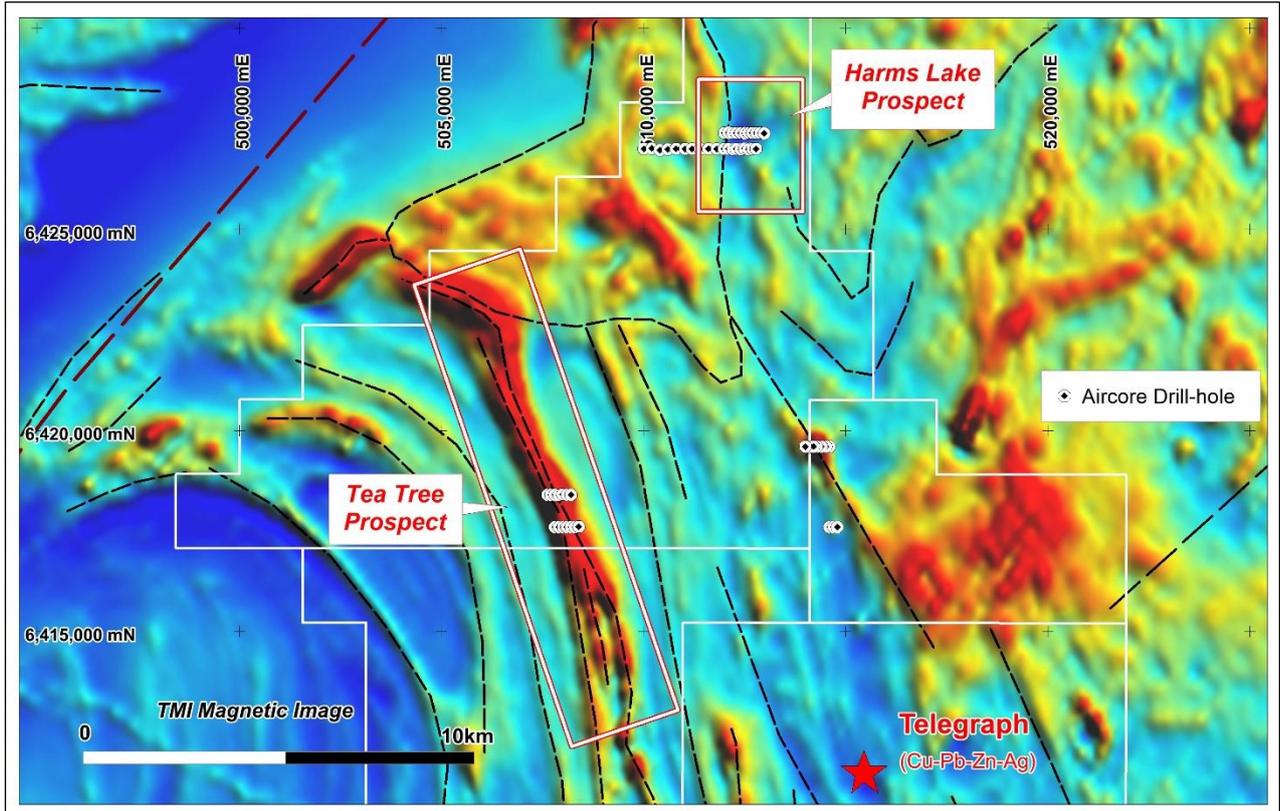


Figure 5: Balladonia Project magnetic image showing location of prospects and air-core drill-holes.

At the Harms Lake Prospect, anomalous levels of nickel (up to 1,680ppm Ni), copper (up to 450ppm Cu) and chrome (up to 2,500ppm Cr) within saprolite imply the presence of ultramafic rocks with the potential to host nickel-copper sulphide mineralisation (Figure 6). The presence of elevated rare earth elements (up to 1600ppm Ce, 620ppm La, 380ppm Y) in several drill-holes also suggests a possible association with carbonatite intrusions, as was found at the Telegraph prospect some 16km to the south.

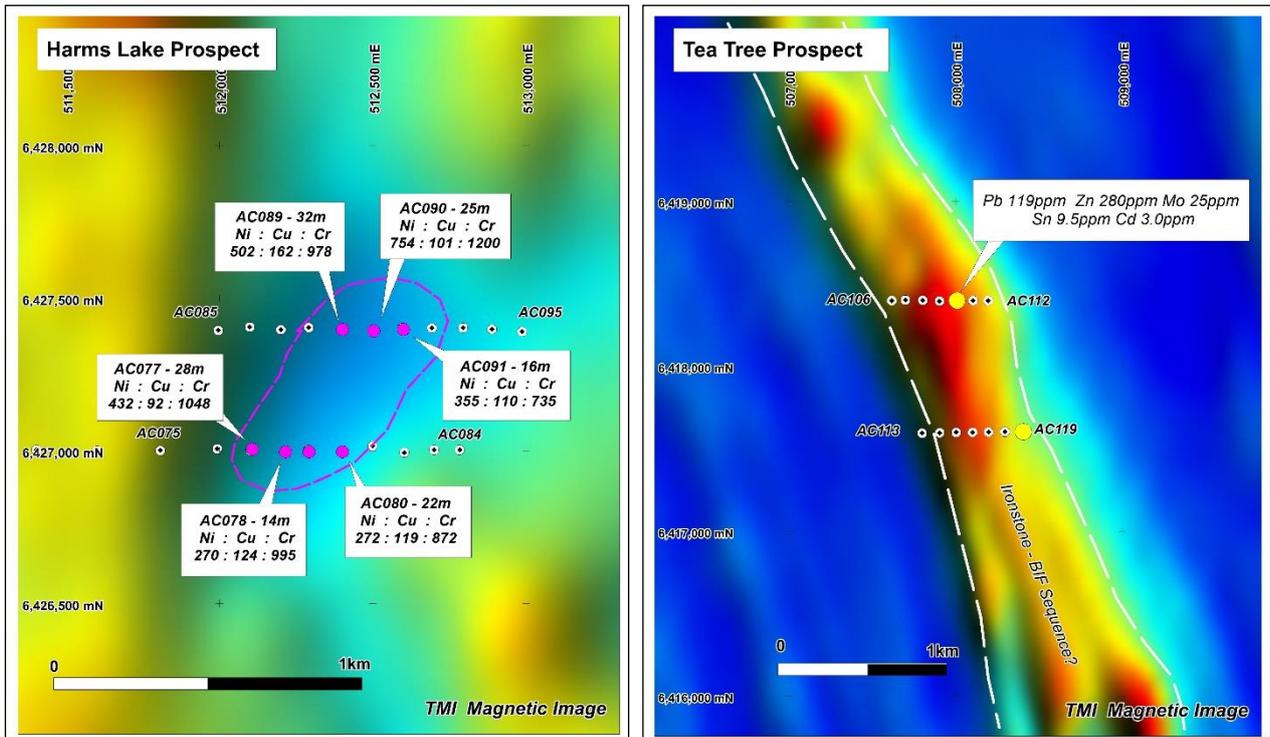


Figure 6: Magnetic images showing air-core drilling results over the Harms Lake and Tea Tree Prospects.

At the Tea Tree Prospect, air-core drilling intersected altered meta-sediments (garnet gneiss) containing anomalous pathfinder geochemistry (119ppm Pb, 280ppm Zn, 9.5ppm Sn, 25ppm Mo, 3.0ppm Cd) and evidence of iron, manganese and potassic alteration (*Figure 6*).

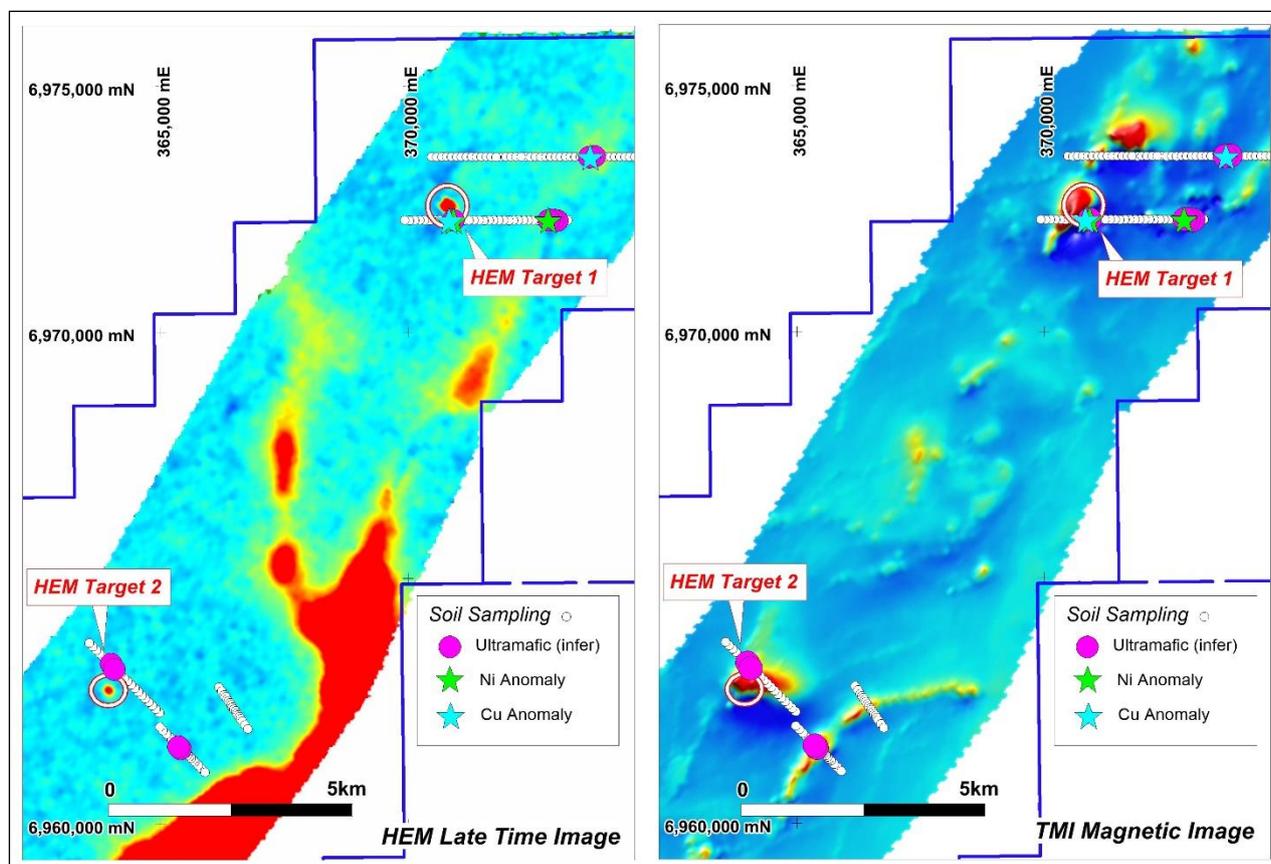
The geochemically anomalous intercept occurs within a package of strongly magnetic rocks containing probable banded iron formation (BIF) and/or ironstones that may be similar to those found in the Eastern Succession of north-west Queensland, where numerous BHT and IOCG deposits are known to occur.

Geophysical surveys are planned to prioritise targets within the magnetic stratigraphy for possible drilling in FY2022.

**Morrisey Nickel-Copper Project**

The Morrisey Project, which covers an area of ~1,200 km<sup>2</sup> is located within the Narryer Terrane ~500km north of Perth in Western Australia. This area became the focus of industry attention following the recent discovery of the Julimar nickel-copper-PGE deposit north of Perth, which highlighted the untested nickel-copper-PGE potential of the western margin of the Yilgarn Craton.

During FY2021, reconnaissance surface sampling confirmed the presence of mafic and ultramafic rock types within the project area and helicopter-borne electromagnetic (HEM) surveys were commissioned to fast-track the identification of nickel-copper and PGE sulphide targets for drilling.



*Figure 7: Morrisey HEM Targets 1 & 2 showing association with magnetics and soil geochemistry.*

A total of 2,200-line kilometres of HEM were flown on NW-SE oriented lines 150m apart using the Xcite HEM system. Three discrete EM responses, closely associated with magnetic source rocks (potential ultramafics) and anomalous soil geochemistry (Ni, Cu), were located by the surveys (*Figures 7 and 8*).

The EM targets are strike limited and have mid-to-late time EM responses, reflecting moderate to strong conductive sources. All three anomalies are thought to reflect sulphide mineralisation as there is no evidence of conductive sediments (graphite) in the surveyed areas.

Field reconnaissance over the target areas, including detailed surface sampling, will be completed ahead of ground EM surveys to optimise drill sites.

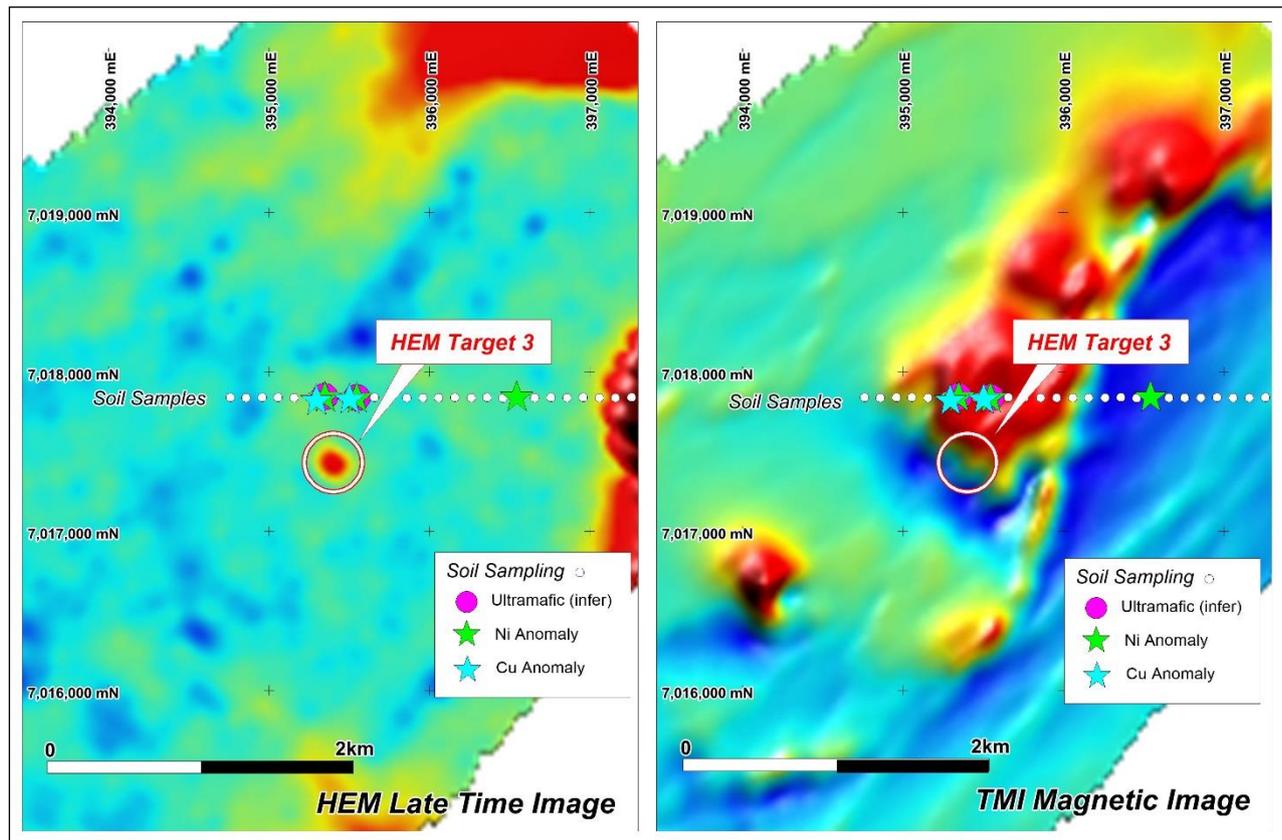


Figure 8: Morrisey HEM Target 3 showing association with magnetics and soil geochemistry.

### **Moora Nickel-Copper Project (AQD 100%)**

The Moora Project covers an area of ~570km<sup>2</sup> and is located ~150km north of Perth, Western Australia, within the Jimperding Metamorphic Belt, which hosts the new Ni-Cu-PGE discoveries at Julimar and Yarawindah Brook, just to the north of Perth.

Tenements within the Moora Project were granted during the year with the Company having sub-surface mineral rights. Negotiations with landowners are continuing to gain access to selected areas to allow field work to be completed.

Reconnaissance auger sampling (267 samples) has been completed over several target areas to identify potential host rocks for Ni-Cu-PGE mineralisation. Elevated levels of chrome (>250ppm Cr), reflecting possible mafic and ultramafic host rocks, were reported at several locations as well as low levels of nickel anomalism (70ppm Ni) (Figure 9).

However, the auger sampling was found to be only partially effective as analysis of the geochemical data indicated that many of the samples were from alluvial sediments and could not be used to identify the underlying bedrock.

Helicopter EM (HEM) surveys over selected areas will now be undertaken in an attempt to fast-track exploration and identify targets for possible drilling. This will minimise the Company's footprint within the agricultural land and allow more areas to be explored ahead of detailed access negotiations. HEM surveys are expected to be completed during Q4 2021.

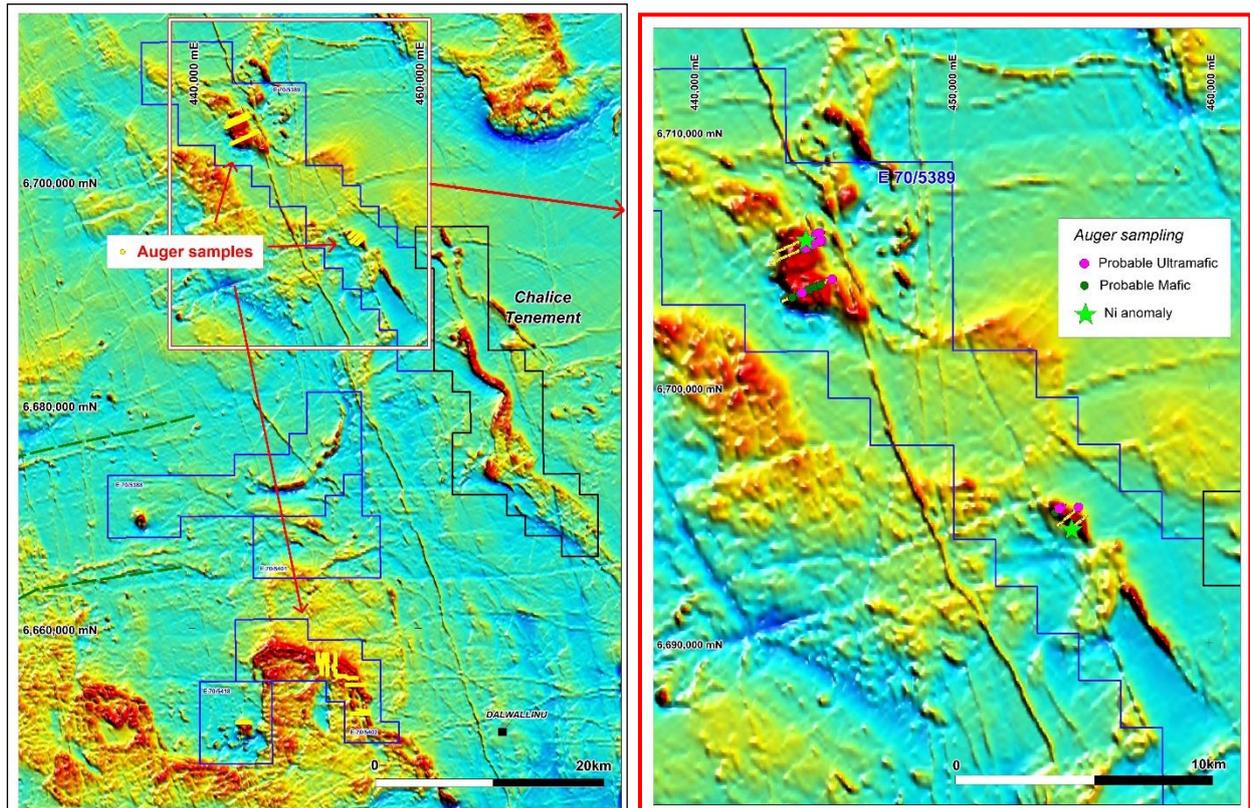


Figure 9: Moora tenements on magnetic image showing location of auger samples.

#### **Paterson Copper-Gold Project (AQD 100%)**

The Paterson Copper-Gold Project, which includes the **Gunanya**, **Runton**, and **Madley** tenements, is located ~250km east and north-east of Newman within the Paterson Province of Western Australia, where discoveries at Winu (Rio Tinto) and Havieron (Greatland Gold/Newcrest) have led to a significant increase in exploration activity.

During FY2021, reconnaissance RC drilling at the Gunanya prospect tested three magnetic anomalies, with only one of them (Anomaly 2) reporting favourable host rocks in the vicinity of the magnetic anomaly. However, the source of the magnetic response was not intersected by drilling and this anomaly remains an untested target.

Detailed aeromagnetic surveys completed over the Madley and Runton Projects identified magnetic targets with similarities to responses seen over the Winu and Havieron deposits. Computer modelling highlighted discrete, depth limited magnetic bodies at depths ranging from ~200m to ~400m, with all targets located close to interpreted large-scale regional structures.

Tenements were rationalised during the year to reduce holding costs while still retaining the highest priority targets. The Company has received several enquiries from third parties regarding the Paterson tenements and is currently considering its options with regard to future programs in the area.

#### **New Opportunities and Project Generation (Australia)**

The Company continues to undertake project generation studies across Australia targeting new base metal (copper, zinc and nickel) opportunities for consideration under the SAA.

New tenement applications were lodged in the Earahedy Basin of WA (**Mt Davis**), following the discovery of lead-zinc-silver mineralization by Rumble Resources at their Chinook prospect, and to the north and east of the Fraser Range of WA (**Jubilee**) – where potential for nickel-copper mineralisation associated with flood basalt terranes was inferred from the interpretation of aeromagnetic data.

Heritage agreements over both areas have been negotiated and tenements are expected to be granted in the coming months.

**PERU: COPPER-GOLD**

AusQuest has assembled a world-class exploration portfolio in Peru, South America – one of the world’s most prominent destinations for international copper exploration. Detailed aeromagnetic data acquired by the Company has been used to identify prospective areas for porphyry copper and/or IOCG deposits beneath extensive cover in the south of Peru (Figure 10).

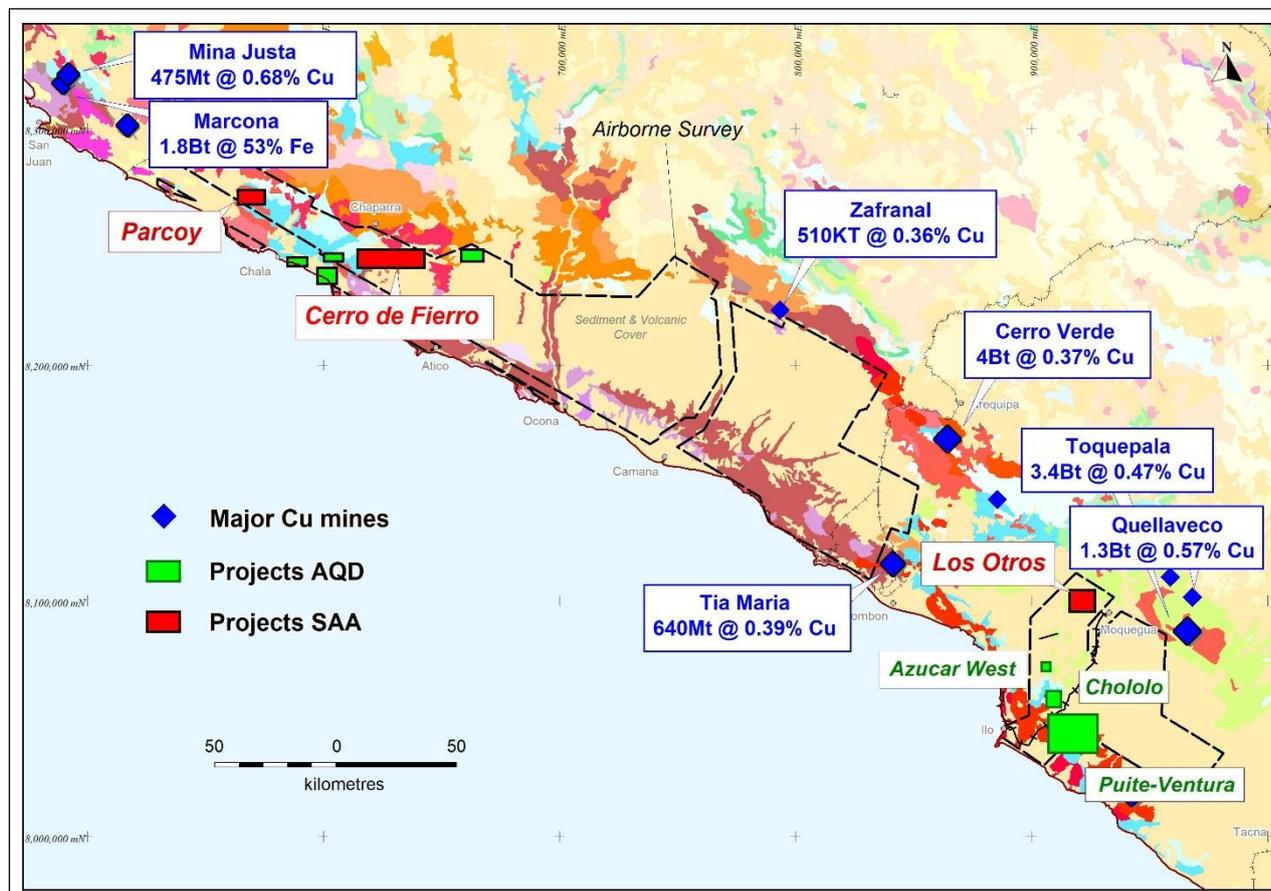


Figure 10: Project Locations – Southern Peru.

The **Cerro de Fierro Project** is located at the southern end of a recognised Iron-Oxide Copper-Gold (IOCG) metallogenic belt in southern Peru. It lies within ~150km of the Mina Justa deposit (~475Mt @ 0.68% Cu), which is being developed by the Marcobre Joint Venture.

During FY2021, a Reverse Circulation (RC) drilling program comprising 15 holes for a total of 5,048m was successfully completed to test for near-surface extensions of the copper mineralisation that was intersected during previous drilling programs.

Four of the widely-spaced drill-holes intersected shallow copper oxides (at depths <50m) with thicknesses varying from ~20m to 30m and average copper grades ranging from ~0.13% Cu up to ~0.57% Cu with associated silver values ranging from ~1.0g/t Ag and up to 9.0g/t Ag. Two holes intersected similar copper grades and thicknesses at depths of ~200m, demonstrating the continuity of copper mineralisation across the prospect.

Significant assay results and drill-hole details were reported to the ASX on April 27, 2021.

Compilation of drilling and surface data with a digital elevation model suggests that the shallow copper oxides could occur over an extensive area (up to 1.5km<sup>2</sup>), and reflect potential for a small-to- moderate size resource, providing that continuity of thickness and grade is confirmed by further testing of this concept (Figure 11).

Drilling results also provided strong evidence for buried porphyry copper mineralisation within the area of drilling.

Thick zones (>80m) of advanced argillic alteration (lithocap) containing anomalous pathfinder elements (Mo, W, Te, Bi), plus the presence of copper sulphides (chalcopyrite) in zones of remnant potassic alteration within the lithocap, provides strong evidence for nearby porphyry copper mineralisation. Further drilling of potential porphyry targets is being planned.

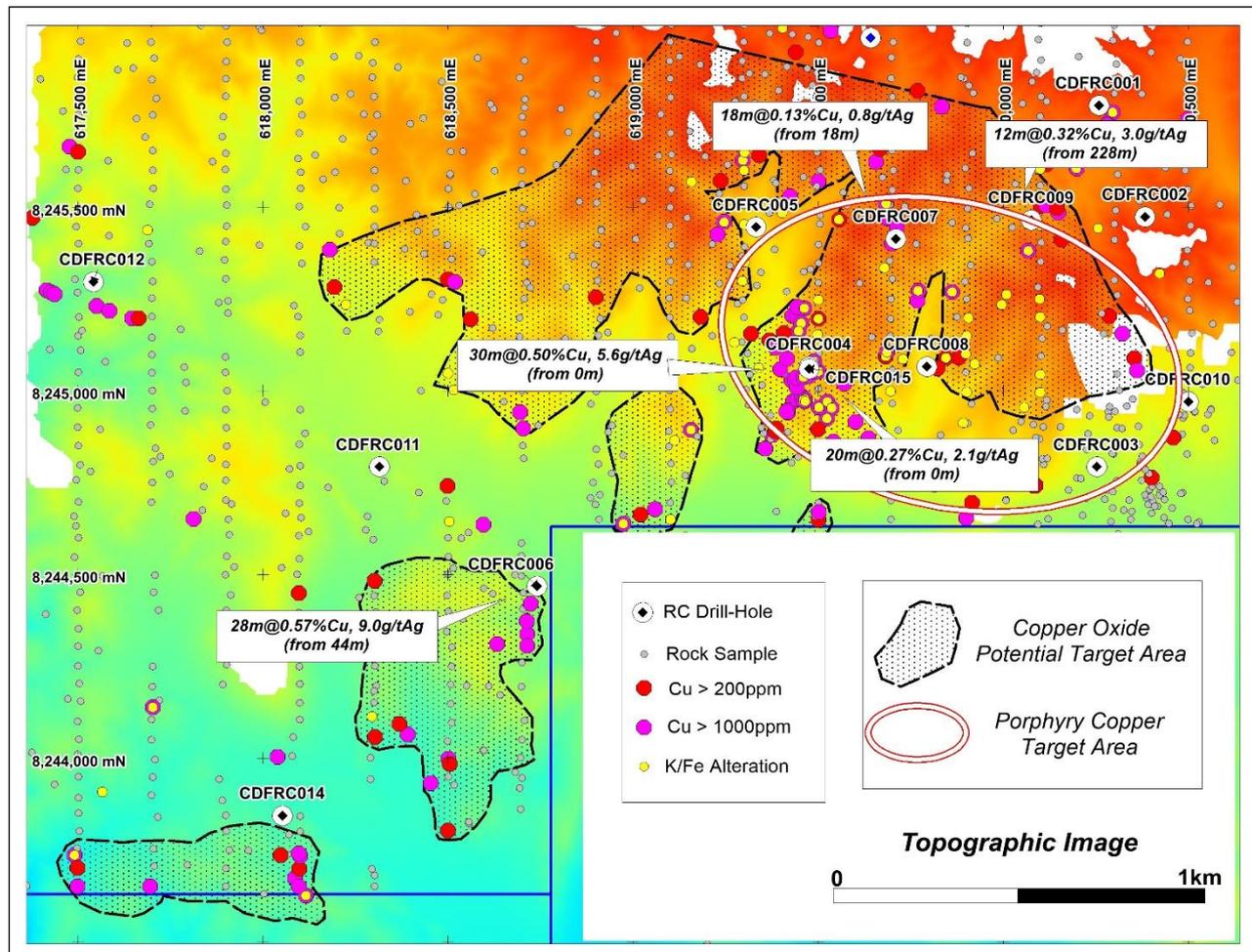


Figure 11: Topographic image showing drill-hole locations and potential copper oxide target area.

Systematic rock-chip sampling (~1,280 samples) over the Company's tenements to the east of Cerro de Fierro identified a further seven targets over a 15km strike length that are thought to reflect either porphyry and/or manto-style copper mineralisation (Figure 12). These targets occur within a major east-west structural corridor that runs parallel with the Coastal Batholith contact, which is considered to be a highly prospective target zone for copper within the Coastal Belt of Peru and Chile.

Anomalous copper (>200ppm Cu) and molybdenum (>8ppm Mo) values within areas of advanced argillic alteration – coupled with the presence of high temperature minerals within the alteration, such as pyrophyllite (based on Terraspec analysis) – strongly suggests that there is additional porphyry copper potential east of the Cerro de Fierro prospect.

A program of detailed mapping and sampling to prioritise prospects and optimise sites for future drilling has commenced and is expected to take several months to complete. Further drilling within the Cerro de Fierro Project area will be considered under the SAA once the results of this work have been received and assessed.

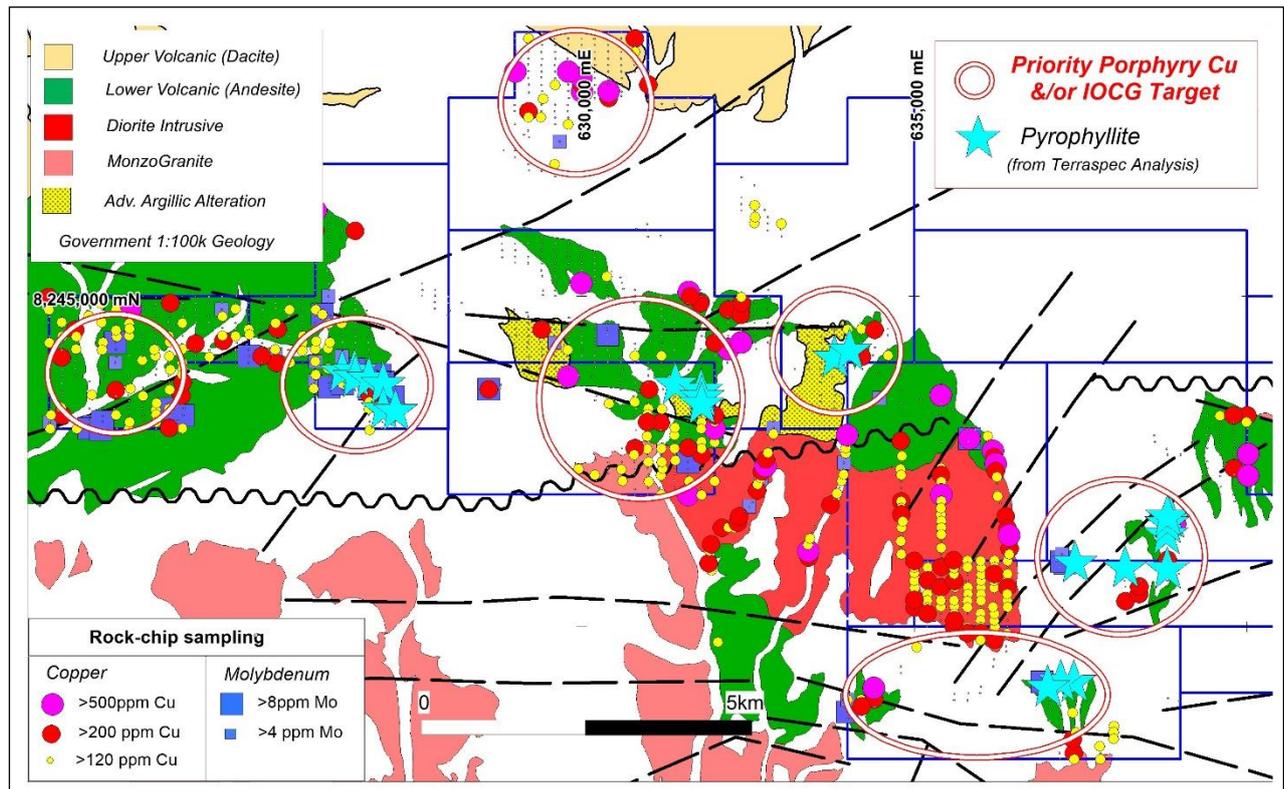


Figure 12: Cerro de Fierro East prospect showing target areas identified by rock-chip sampling

The **Parcoy Project** is located ~50km north-west of the Cerro de Fierro Project and is targeting manto-style copper mineralisation within volcanic stratigraphy, similar to that found at the Mina Justa deposit, approximately 100km further to the north.

Geological mapping, rock and soil sampling completed by the Company has outlined copper (+/-gold) anomalies with associated indicator elements (Mo, Bi, Au, Te, Zn, Sb) over large areas within andesitic volcanics, providing targets for the initial 'Proof-of-Concept' drilling to determine the Project's potential for large-scale, replacement-style copper (+/-gold) mineralisation.

During FY21, an inaugural drilling program consisting of wide spaced Reverse Circulation (RC) drill-holes (10 holes/3,080m) was completed, intersecting thick zones (>100m) of anomalous copper (>200ppm Cu up to 1.0% Cu), over distances of at least 500m from the inferred feeder structure, supporting the Company's concept and highlighting the extensive nature of the copper mineralisation.

The drilling program focused on two of the more easily accessible areas to keep the cost of access to a minimum during the initial drilling phase. Targets were tested at the northern and southern limits of the prospect which extends over a strike length of at least 6km (Figure 13).

In the north, copper mineralisation was found to be associated with potassic-iron alteration and appears to be conformable with shallow dipping (~20°) volcanic strata. Anomalous copper values occur at shallow depth (~8m in PARRC01) and extend to at least 200m down-hole, highlighting the potential for significant thicknesses of mineralisation.

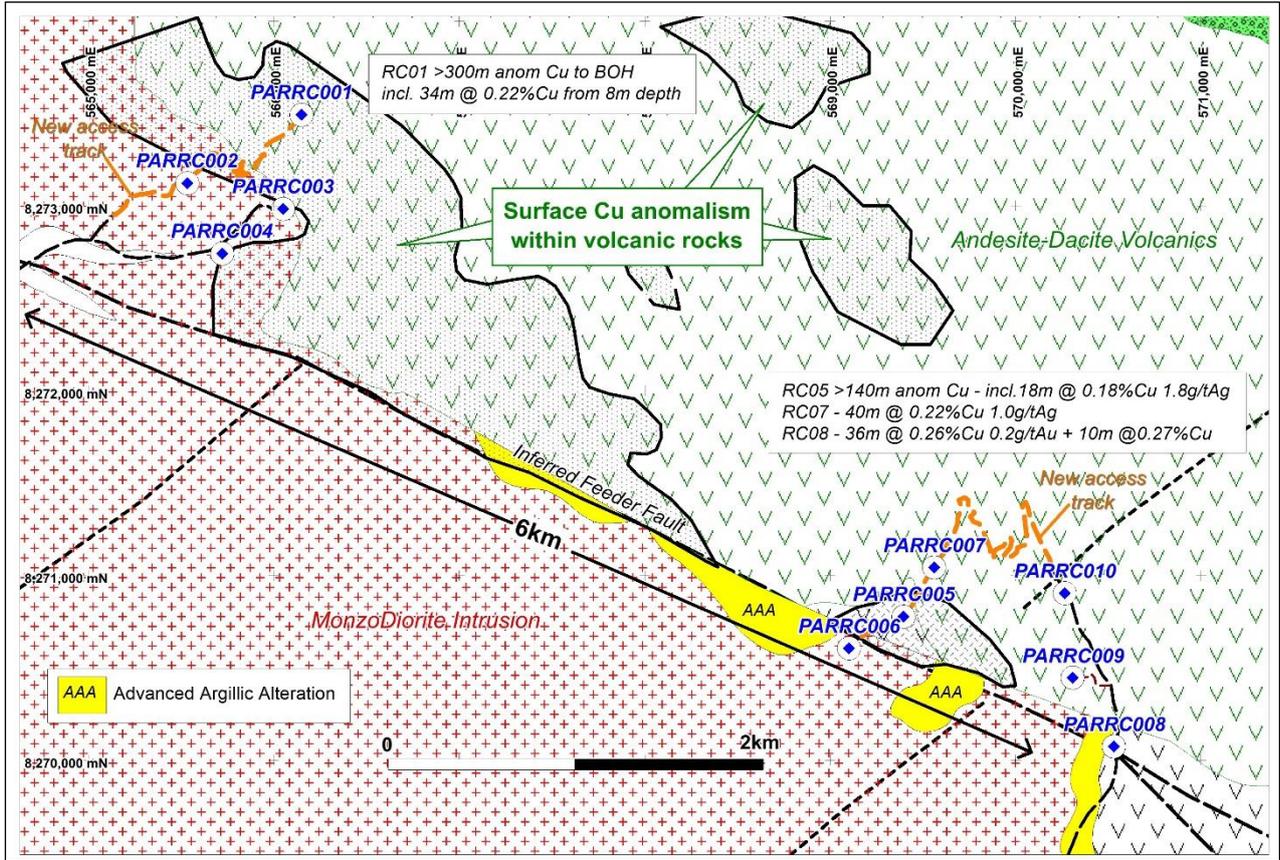


Figure 13: Parcoy Project geology showing drill-hole locations and significant results.

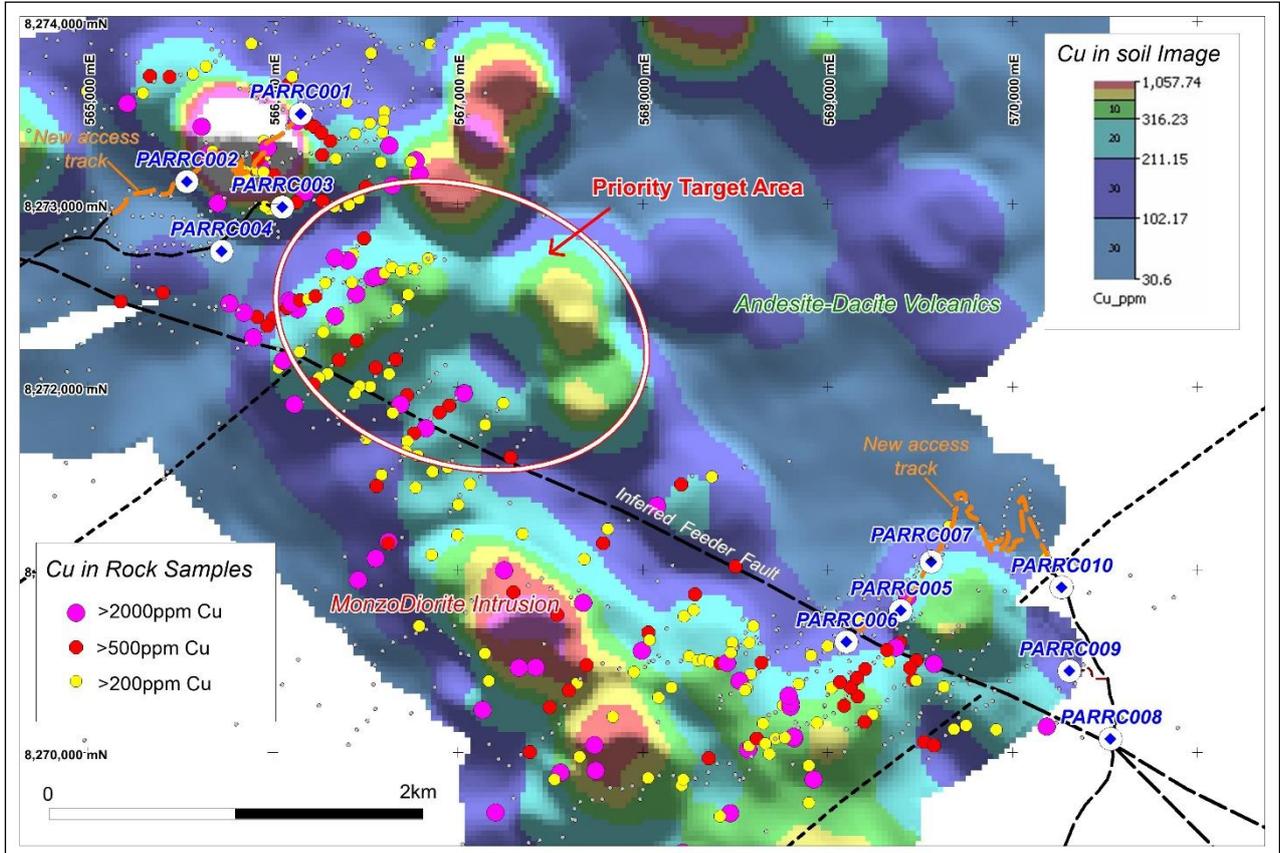


Figure 14: Parcoy Project surface geochemistry (Cu) showing drill-hole locations.

## **AusQuest Limited**

### **Operations review**

In the south, copper mineralisation again appears to be stratabound, with continuity of copper values between drill-holes PARRC05 and PARRC07 demonstrating the shallow-dipping nature of the mineralisation. Copper is also associated with shallow-dipping, advanced argillic/sericite alteration (AAA) which forms the boundary between potassic and sodic altered volcanics. This boundary appears to control the distribution of copper, as volcanics that are sodic altered generally contain lower copper values.

A second round of drilling at Parcoy is currently being planned under the SAA. Highly anomalous rock-chip and soil samples within the central area of the prospect will be targeted as part of this program (*Figure 14*). Further mapping and rock-chip sampling within the central zone is planned to help optimise drill sites. This work will be completed during H2 2021 ahead of finalising new drill sites.

At the **Los Otros Project**, permitting to enable drill-testing of porphyry copper target(s) was initiated with environmental and archaeological studies undertaken and the community consultation process successfully concluded. Based on current indications, the permits should be received around the end of Q3 2021 with drilling possible before the end of 2021.

The porphyry copper target(s) is associated with an area of advanced argillic alteration (~1km<sup>2</sup> in size) that appears to have a Palaeocene age date, similar to the age dates reported for the giant porphyry copper deposits nearby.

#### **New Opportunities and Project Generation (Peru)**

Project generation work within southern Peru continued at a slow pace during FY2021 as a result of the Company's continuing focus on advanced projects under the SAA.

New tenement applications were submitted to consolidate the Company's land position in the Puite-Ventura area, near the port of Ilo, where historical work by the Company's consultants indicates there is potential for buried porphyry copper mineralisation. A program of geological mapping and soil sampling commenced to upgrade the prospectivity of the area ahead of consideration under the SAA as a new exploration opportunity.

#### **CORPORATE**

In February the Company successfully completed a capital raising of approximately \$3.0 million to provide additional funds for project generation and identification of new opportunities for consideration under the SAA.

The Company's cash balance remained relatively stable during FY2021 largely due to contributions under the SAA which provided funding of ~\$7.2 million for agreed work programs over projects both in Australia and Peru. The Company's cash position at the end of June 2021 was ~\$5.4 million.

#### **COMPETENT PERSON'S STATEMENT**

*The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). The Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.*

*All technical information in this report has previously been reported to ASX. The Company is not aware of any new information or data that materially affectst he information included in this report.*

## AusQuest Limited Directors' report

The directors of AusQuest Limited herewith submit the annual financial report of the Company and the entities it controlled ("Group") for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Information about directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are noted below. Except where indicated, directors have held office during and since the end of the financial year:

#### **Greg Hancock BA Econs., BEd Hons., F.Fin** **Non-Executive Director and Chairman**

Greg has had over 25 years' experience in capital markets practicing in the area of corporate finance. He maintains close links with the stockbroking and investment banking community on behalf of the Company.

Directorships held in listed companies over the last three years are as follows:

- Zeta Petroleum PLC – April 2015 – current
- Strata-X Energy Limited (now called Pure Hydrogen Corporation Limited) – July 2015 – March 2021
- BMG Resources Ltd – Feb 2017 – current
- Golden State Mining Limited – Nov 2018 – current
- Cobra Resources PLC – Nov 2018 – current
- King Island Scheelite Ltd – Feb 2019 – current

#### **Graeme Drew B.Sc.Hons., FAIMM, MASEG** **Managing Director**

Graeme has over 40 years' experience in the exploration industry in Australia and overseas. Prior to co-founding AusQuest Limited he was an Exploration Manager for CRAE and Rio Tinto Exploration Pty Ltd in Western Australia (9 years) and Eastern Australia (4 years). He has wide experience in the search for, and evaluation of, most base and precious metals (notably nickel, copper, gold, uranium, zinc and diamonds). Graeme has developed a passion for the 'big picture' and 'big project' generation which he strongly believes are the building blocks for successful exploration outcomes.

Graeme has held no other directorships in listed companies over the last three years.

#### **Christopher Ellis B.Sc.Hons.** **Non-Executive Director**

Chris is an experienced mining executive with over 30 years' experience in geology, exploration, mine planning and project development in Australia and overseas. He was a founding member and Executive Director of Excel Coal Limited which was the subject of a take-over bid by the US coal giant Peabody Energy Inc, and has held senior positions within Shell Coal's Exploration, BP Coal (London and USA), Agipcoal Australia and the Stratford Joint Venture.

Chris was appointed a Non-Executive Director of King Island Scheelite Limited on 8 November 2012. Chris has held no other directorships in listed companies over the last three years.

#### **Henko Vos** **Company secretary**

Mr Vos is a member of the Governance Institute of Australia and Chartered Accountants Australia & New Zealand with more than 15 years' experience working within public practice, specifically within the area of audit and assurance both in Australia and South Africa. He holds similar secretarial roles in various other listed public companies in both industrial and resource sectors. He is an employee of Nexia Perth, a mid-tier corporate advisory and accounting practice.

### Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options (Unlisted) Number	Share options (Listed) Number
Greg Hancock	4,586,415	5,000,000	-
Graeme Drew	19,323,409	11,190,476	3,338,491
Chris Ellis	174,916,293	14,523,810	31,173,734

## **AusQuest Limited Directors' report**

### **Remuneration of directors and senior management**

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

### **Share options granted to directors and senior management**

During the year 20,000,000 (5,000,000 each to Messrs Hancock and Ellis and 10,000,000 to Mr Drew) unlisted options were issued to key management personnel as part of their remuneration. These options have an exercise price of 7.5 cents each and an expiry date of 30 November 2024.

Since the end of the financial year there were no share options granted to any Key Management Personnel of the Group as part of their remuneration.

### **Principal activities**

The principal activity of the Group was mineral exploration throughout Australia and Peru.

### **Review of operations**

A review of the Group's exploration projects and activities during the year is discussed in the Operations Review included in this Annual Report.

The loss of the Group after income tax for the year was \$1,282,827 (2020: loss after tax of \$984,829).

### **Changes in state of affairs**

During the financial year there was no other significant change in the state of affairs of the Group other than as referred to in the financial statements or notes thereto.

### **Subsequent events**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **Future developments**

Disclosure of information regarding the likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

### **Safety and environmental regulations**

The Group is aware of its occupational health and safety and environmental obligations with regard to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

### **Dividends**

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

### **Proceedings on behalf of the Company**

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of AusQuest Limited.

## AusQuest Limited Directors' report

### Share options

#### Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
<b>Unlisted</b>				
AusQuest Limited	19,000,000	Ordinary	5 cents each	30 Nov 2024
AusQuest Limited	20,000,000	Ordinary	7.5 cents each	30 Nov 2024
AusQuest Limited	76,428,575	Ordinary	4 cents each	01 Mar 2023
<b>Listed</b>				
AusQuest Limited	127,027,620	Ordinary	2.5 cents each	30 Nov 2021

The holders of such options do not have the right, by virtue of the option, to participate in any share or other interest issue of any other body corporate or registered scheme.

#### Shares issued on the exercise of options

There were no shares issued on the exercise of options during or since the end of the financial year.

#### Share options granted during the year

On 30 November 2020, the Company issued 20,000,000 unlisted options exercisable on 30 November 2024 at \$0.075 on issue to directors. The unlisted options were priced using a Black-Scholes pricing model (refer note 16). The Company recognised a share-based payment expense of \$180,000 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

On 25 January 2021, the Company issued 19,000,000 unlisted options exercisable on 30 November 2024 at \$0.05 on issue to employees and consultants. The unlisted options were priced using a Black-Scholes pricing model (refer note 16). The Company recognised a share-based payment expense of \$253,319 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

On 1 March 2021, following the completion of Tranche 1 Placement, the Company issued 55,952,384 free attaching unlisted options exercisable at \$0.04 per option with an expiry date of 1 March 2023 (Tranche 1 Placement Options).

On 9 April 2021, following the completion of Tranche 2 Placement, the Company issued 15,476,191 free attaching unlisted options exercisable at \$0.04 per option with an expiry date of 1 March 2023 (Tranche 2 Placement Options).

On 9 April 2021, the Company also issued 5,000,000 unlisted options exercisable at \$0.04 per option with an expiry date of 1 March 2023 to the Company's brokers. The Company recognised a share-based payment expense of \$40,000 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

#### Share options that expired/lapsed

On 30 November 2020, 39,500,000 unlisted options exercisable at \$0.05 each expired unexercised. 18,000,000 of these options were held by directors.

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

During the financial year 5 board meetings and 1 audit committee meeting and 1 nomination and remuneration committee meeting were held.

Directors	Board of Directors		Nomination and Remuneration committee		Audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Greg Hancock	5	5	1	1	1	1
Graeme Drew	5	5	1	1	1	1
Christopher Ellis	5	5	1	1	1	1

## AusQuest Limited Directors' report

### Indemnification of directors and officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or Officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or Officer in their capacity as a Director or Officer of the Company or any related corporation, first made against the Director or Officer during the period of insurance.

### Non-audit services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditor's behalf).

### Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an independence declaration in relation to the audit of the financial report. This independence declaration is included on page 24 of the annual report and forms part of this directors' report for the year ended 30 June 2021.

### Remuneration report (audited)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel of AusQuest Limited (the "Company") for the financial year ended 30 June 2021.

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

### Group performance and its consequences on shareholder wealth

It is not possible at this time to evaluate the Group's financial performance using generally accepted measures such as profitability and total shareholder return as the Group is focussed on exploration activities with no significant revenue stream. This assessment will be developed as and when the Group moves from explorer to producer.

The table below shows the gross revenue, losses and loss per share for the last five years for the Group:

		2021	2020	2019	2018	2017
Revenue and other income	\$	1,086,772	621,679	923,545	2,156,489	681,973
Net loss	\$	(1,397,914)	(984,829)	(275,633)	767,788	(7,192,145)
Earnings/(Loss) per share	Cents	(0.19)	(0.16)	(0.05)	0.15	(1.44)
Share price at year end		0.022	0.015	0.014	0.033	0.011

## AusQuest Limited Directors' report

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and Company performance;
- remuneration of key management personnel;
- key terms of employment contracts;
- key management personnel equity holdings;
- transactions with key management personnel; and
- loans to/from key management personnel.

### **Key management personnel details**

The key management personnel of AusQuest Limited during the year or since the end of the year were:

Greg Hancock	Non-Executive Chairman
Graeme Drew	Managing Director
Christopher Ellis	Non-Executive Director

There were no group executives employed by AusQuest Limited during the year.

### **Remuneration policy and relationship between the remuneration policy and Company performance**

The Board policy for determining remuneration is based on the principle of remunerating directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market remuneration packages for similar positions within the industry and in consultation with external consultants.

The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

### **Key management personnel (excluding non-executive directors)**

The Remuneration Committee is responsible for determining the remuneration policies for the Group, including those affecting executive directors and other key management personnel. The Committee may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive directors and other key management personnel has the following key elements:

- Primary benefits (being salary, fees, bonus and non-monetary benefits)
- Post-employment benefits (being superannuation)
- Equity (being share options granted at the discretion of the Board)
- Other benefits

### **Non-Executive Directors**

The Company's Non-Executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of these directors. They do not receive any retirement benefits (other than compulsory superannuation).

The Board decides annually the level of fees to be paid to Non-Executive Directors with reference to market standards.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options vest across the life of the option and are primarily designed to provide an incentive to Non-Executive Directors to remain with the Company.

A Non-Executive Directors' fee pool limit of \$300,000 per annum was approved by the shareholders.

### **Key terms of employment contracts**

Remuneration and other terms of employment for the Managing Director, Graeme Drew are formalised in a service agreement. Major provisions of this agreement are set out below:

- Term of agreement dated 21 April 2015.
- Base salary reviewed annually, salary of \$200,000 from 1 March 2018 (excluding superannuation entitlements).
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months' salary, other than if there is a change of control of the Company, which will result in 12 months' salary.
- Notice period of 90 days.

## AusQuest Limited Directors' report

The consulting agreement in place with the Chairman, Greg Hancock is summarised below:

- Term of agreement is renewed annually.
- Fee of \$48,000 from 1 July 2019.
- No payment of termination benefit.

Remuneration of key management personnel

	Short-term employee benefits		Post employment benefits	Other long term employee benefits	Share-based payment	Total	Performance Related
	Salary and fees	Other <sup>(i)</sup>	Superannuation		Options		%
	\$	\$	\$	\$	\$	\$	%
<b>2021</b>							
<u>Directors</u>							
Graeme Drew	200,000	-	19,000	-	90,000	309,000	-
Greg Hancock <sup>(i)</sup>	-	48,000	-	-	45,000	93,000	-
Chris Ellis	-	-	-	-	45,000	45,000	-
	200,000	48,000	19,000	-	180,000	447,000	-
<b>2020</b>							
<u>Directors</u>							
Graeme Drew	200,000	-	19,000	-	-	219,000	-
Greg Hancock <sup>(i)</sup>	-	48,000	-	-	-	48,000	-
Chris Ellis	-	-	-	-	-	-	-
	200,000	48,000	19,000	-	-	267,000	-

(i) Mr Hancock received \$48,000 (2020: \$48,000) for corporate advisory services rendered to the Company.

During the year 20,000,000 (5,000,000 each to Messrs Hancock and Ellis and 10,000,000 to Mr Drew) unlisted options were issued to key management personnel as part of their remuneration. The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors in this financial year or future reporting years are as follows:

	No. of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price \$	Fair value per option at grant date
<b>Directors</b>						
Greg Hancock	5,000,000	26 Nov 2020	26 Nov 2020	30 Nov 2024	\$0.075	\$0.009
Graeme Drew	10,000,000	26 Nov 2020	26 Nov 2020	30 Nov 2024	\$0.075	\$0.009
Chris Ellis	5,000,000	26 Nov 2020	26 Nov 2020	30 Nov 2024	\$0.075	\$0.009

There were no options granted as remuneration to key management personnel exercised during the year.

18,000,000 unlisted options, exercisable at 5 cents each, previously issued to Messrs Hancock, Drew and Ellis, lapsed unexercised on 30 November 2020.

### Key management personnel equity holdings

Fully paid ordinary shares of AusQuest Limited

	Balance at 1 July No.	Balance on appointment No.	Granted as compensation No.	Other movements No.	Balance on resignation No.	Balance at 30 June No.
<b>2021</b>						
<b>Directors</b>						
Greg Hancock	4,586,415	-	-	-	-	4,586,415
Graeme Drew	16,942,457	-	-	2,380,952 <sup>(i)</sup>	-	19,323,409
Chris Ellis	155,868,673	-	-	19,047,620 <sup>(i)</sup>	-	174,916,293
	177,397,545	-	-	21,428,572	-	198,826,117

(i) Issue of shares under the placement issue announced on 19 February 2021.

**AusQuest Limited**  
**Directors' report**

Options (listed and unlisted) of AusQuest Limited

	Balance at 1 July No.	Other movements No.	Lapsed No.	Granted as compensation No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
<b>2021</b>							
<b>Directors</b>							
Greg Hancock	4,000,000	-	(4,000,000) <sup>(i)</sup>	5,000,000 <sup>(iii)</sup>	5,000,000	5,000,000	5,000,000
Graeme Drew	13,388,491	1,190,476 <sup>(i)</sup>	(10,000,000) <sup>(ii)</sup>	10,000,000 <sup>(iii)</sup>	14,578,967	10,000,000	14,578,967
Chris Ellis	35,173,734	9,523,810 <sup>(i)</sup>	(4,000,000) <sup>(ii)</sup>	5,000,000 <sup>(iii)</sup>	45,697,544	5,000,000	45,697,544
	<u>52,562,225</u>	<u>10,714,286</u>	<u>(18,000,000)</u>	<u>20,000,000</u>	<u>65,276,511</u>	<u>20,000,000</u>	<u>65,276,511</u>

- (i) Issue of free attaching options (exercise price of \$0.04 per options, expiry date of 1 March 2023) under the placement announced on 19 February 2021.
- (ii) Unlisted options lapsed (exercise price of \$0.05 per option, expiry date of 30 November 2020)
- (iii) Unlisted options granted to Directors (exercise price of \$0.075 per option, expiry date of 30 November 2024) following shareholder approval on 26 November 2020.

**Transactions with key management personnel**

The following transactions occurred with key management personnel:

	2021 \$	2020 \$
Corporate advisory services <sup>(i)</sup>	<u>48,000</u>	<u>48,000</u>

- (i) The Company entered into a 12 month corporate advisory services agreement with Mr Hancock. Mr Hancock was paid \$48,000 (excluding GST) for services rendered during the 12 month period ending 30 June 2021 (2020: \$48,000 excluding GST). This amount is included as part of Mr. Hancock's remuneration in the table above.

There were no other transactions with key management personnel during the year.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021 \$	2020 \$
Current payables:		
Fee payable to Graeme Drew and related entity	18,250	18,250
Fee payable to Greg Hancock and related entity	<u>4,400</u>	<u>4,400</u>

**Loans to/from related parties**

There were no loans to or from related parties at the current and previous reporting date.

**(End of remuneration report)**

The Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors



**Graeme Drew**  
**Managing Director**

22 September 2021  
Perth, WA

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of AusQuest Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Perth, Western Australia  
22 September 2021**

**B G McVeigh  
Partner**

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## INDEPENDENT AUDITOR'S REPORT

To the members of AusQuest Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of AusQuest Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<p><b>Exploration and evaluation expenditure</b> Refer to Note 11 in the financial report</p>	
<p>The Group has capitalised exploration and evaluation expenditure of \$3,362,726 as at 30 June 2021.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure in respect of each identifiable area of interest, including acquisition costs and measures the asset using the cost model.</p> <p>Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values;</li> <li>- We considered the Directors' assessment of potential indicators of impairment;</li> <li>- We obtained evidence that the Group has current rights to tenure of its areas of interest;</li> <li>- We ensured there was planned or budgeted expenditure for 30 June 2022;</li> <li>- We reviewed additions to exploration expenditure during the year;</li> <li>- We considered the accounting treatment in relation to exploration partner funding;</li> <li>- We verified amounts received from the Group's exploration partner and subsequently spent on exploration;</li> <li>- We verified the completeness of amounts recognised as income in relation to the Group's exploration partner contracts;</li> <li>- We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its area of interest; and</li> <li>- We examined the disclosures made in the financial report.</li> </ul>

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of AusQuest Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**HLB Mann Judd**  
Chartered Accountants

**Perth, Western Australia**  
**22 September 2021**



**B G McVeigh**  
Partner

**AusQuest Limited**  
**Directors' declaration**  
**30 June 2021**

- 1) In the directors' opinion:
  - a) the attached financial statements notes thereto comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    - (i) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
    - (ii) give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors.

On behalf of the directors



Graeme Drew

Managing Director

22 September 2021  
Perth, WA

**AusQuest Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Continuing operations</b>			
Revenue		1,019,472	512,733
Other income		67,300	108,946
	5	<u>1,086,772</u>	<u>621,679</u>
<b>Expenses</b>			
Consultants and employee benefits expenses		(236,734)	(255,882)
Occupancy expenses		(118,526)	(63,474)
Other expenses		(835,246)	(747,143)
Depreciation expense	10	(9,528)	(7,409)
Depreciation expense of right-of use asset	12	(43,795)	(101,600)
Share-based payment expenses	6	(506,319)	(22,000)
Impairment of exploration and evaluation expenditure	6, 11	(1,481,290)	(1,259,122)
Finance costs		(6,270)	(6,281)
Interest on lease liability		(8,002)	(9,966)
Total expenses		<u>(3,245,710)</u>	<u>(2,472,877)</u>
<b>(Loss) before income tax</b>		(2,158,938)	(1,851,198)
Income tax benefit	7	761,024	866,369
<b>(Loss) for the year after income tax of continuing operations</b>		<u>(1,397,914)</u>	<u>(984,829)</u>
Gain after tax from discontinuing operations	30	115,087	-
<b>(Loss) for the year after income tax</b>		<u>(1,282,827)</u>	<u>(984,829)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange (loss)/ gain on translation of foreign operations		(826,558)	287,391
Other comprehensive income for the year, net of tax		(826,558)	287,391
<b>Total comprehensive (loss)/income for the year</b>		<u>(2,109,385)</u>	<u>(697,438)</u>
<b>(Loss)/Earnings per share</b>			
Basic and diluted (loss)/earnings per share from continuing and discontinued operations (cents per share)	28	(0.19)	(0.16)
Basic and diluted (loss)/earnings per share from continuing operations (cents per share)	28	(0.19)	(0.16)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	5,408,593	2,719,202
Trade and other receivables	8	423,619	467,622
Other assets	9	126,205	247,687
<b>Total current assets</b>		<u>5,958,417</u>	<u>3,434,511</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	50,834	63,816
Exploration and evaluation	11	3,362,726	4,623,815
Right-of-use asset	12	21,177	37,383
<b>Total non-current assets</b>		<u>3,434,737</u>	<u>4,725,014</u>
<b>Total assets</b>		<u>9,393,154</u>	<u>8,159,525</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,249,379	346,199
Provisions	14	137,954	125,742
Unexpended funding	15	65,843	946,608
Lease liability	12	23,199	44,636
<b>Total current liabilities</b>		<u>1,476,375</u>	<u>1,463,185</u>
<b>Total liabilities</b>		<u>1,476,375</u>	<u>1,463,185</u>
<b>Net assets</b>		<u><b>7,916,779</b></u>	<u><b>6,696,340</b></u>
<b>Equity</b>			
Issued capital	16	62,273,198	59,416,693
Reserves	17	3,865,201	4,546,369
Accumulated losses		<u>(58,221,620)</u>	<u>(57,266,722)</u>
<b>Total equity</b>		<u><b>7,916,779</b></u>	<u><b>6,696,340</b></u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2021**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share-based payment reserve</b> <b>\$</b>	<b>Foreign currency translation reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total</b> <b>\$</b>
Balance at 1 July 2020	59,416,693	327,929	4,218,440	(57,266,722)	6,696,340
Loss after income tax for the year	-	-	-	(1,282,827)	(1,282,827)
Other comprehensive income for the year, net of tax	-	-	(826,558)	-	(826,558)
Total comprehensive income/(loss) for the year	-	-	(826,558)	(1,282,827)	(2,109,385)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares	2,856,505	-	-	-	2,856,505
Options issued	-	473,319	-	-	473,319
Lapsed options	-	(327,929)	-	327,929	-
Balance at 30 June 2021	<b>62,273,198</b>	<b>473,319</b>	<b>3,391,882</b>	<b>(58,221,620)</b>	<b>7,916,779</b>

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share-based payment reserve</b> <b>\$</b>	<b>Foreign currency translation reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total</b> <b>\$</b>
Balance at 1 July 2019	57,731,440	327,929	3,931,049	(56,281,893)	5,708,525
Loss after income tax for the year	-	-	-	(984,829)	(984,829)
Other comprehensive income for the year, net of tax	-	-	287,391	-	287,391
Total comprehensive income for the year	-	-	287,391	(984,829)	(697,438)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares	1,685,253	-	-	-	1,685,253
Balance at 30 June 2020	<b>59,416,693</b>	<b>327,929</b>	<b>4,218,440</b>	<b>(57,266,722)</b>	<b>6,696,340</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>Consolidated</b>	<b>Consolidated</b>
		<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from South32 Group Operations Pty Ltd		1,016,512	511,224
COVID-19 government contributions		126,352	49,453
Payments to suppliers and employees		(1,085,074)	(954,183)
Interest received		1,713	2,086
Finance costs		(6,270)	(6,281)
Net cash provided by/(used in) operating activities	27(ii)	<u>53,233</u>	<u>(397,701)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,569)	(21,470)
Payments for exploration and evaluation		(6,200,933)	(5,951,525)
Payment received on grant of farm-in and joint venture interests		5,346,371	4,816,859
Research and development tax incentive refund received		761,024	866,369
Net cash (used in) investing activities		<u>(95,107)</u>	<u>(289,767)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liability		(57,659)	(104,313)
Proceeds from issue of shares		3,000,000	1,778,387
Share issue costs		(176,495)	(115,134)
Net cash from financing activities	27(iii)	<u>2,765,846</u>	<u>1,558,940</u>
Net increase/(decrease) in cash and cash equivalents		2,723,972	871,472
Cash and cash equivalents at the beginning of the financial year		2,719,202	1,816,388
Exchange rate adjustment		(34,581)	31,342
Cash and cash equivalents at the end of the financial year	27(i)	<u><u>5,408,593</u></u>	<u><u>2,719,202</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 1. General information**

AusQuest Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol ("AQD")), incorporated in Australia and operating in Australia, Africa and Peru.

The Company's registered office and its principal place of business are as follows:

**Registered Office**  
C/- Nexia Perth Pty Ltd  
Level 3, 88 William Street  
Perth WA 6000

**Principal place of business**  
8 Kearns Crescent  
Ardross WA 6153

The Group's principal activities are the exploration for and evaluation of mineral resources in Australia and Peru.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements comprise the consolidated financial statements for the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

**i. Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 September 2021.

**(b) Critical accounting estimates**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

**Note 2. Significant accounting policies (continued)**

**(c) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Management also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Board of Directors. The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

**(d) Financial Instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

*(i) Financial Assets*

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price (excludes estimates of variable consideration) as defined in AASB 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

*(ii) Financial Liabilities and Equity*

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

*(iii) Financial Liabilities and Equity*

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 2. Significant accounting policies (continued)**

**(e) Financial Instruments (continued)**

*(iv) Effective Interest Rate Method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**(f) New accounting standards and interpretations**

*Adoption of new and revised standards*

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2020.

As a result of this review, the Directors have determined that there is no material impact of new Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2020.

**(g) New accounting standards and interpretations not yet adopted**

The Directors have also reviewed all Standards and Interpretations issued but not yet mandatory for the year ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations issued but not yet mandatory, therefore no change is necessary to Group accounting policies.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

**(i) Foreign currency translation**

Both the functional and presentation currency of AusQuest Limited and its Australian subsidiaries is Australian dollars. All other foreign subsidiaries uses American dollar as their functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**Note 2. Significant accounting policies (continued)**

**(j) Revenue and other income**

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

Revenue is measured at the transaction price received or receivable (which excludes estimates of variable consideration) allocated to the performance obligation satisfied and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT, GST and other sales related taxes. Where the expected period between transfer of a promised service and payment from the customer is one year or less no adjustment for a financing component is made.

Revenue arising from the provision of services is recognised when and to the extent that the customer simultaneously receives and consumes the benefits of the Group's performance or the Group does not create an asset with an alternative use but has an enforceable right to payment for performance completed to date.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

Government assistance revenue is recognised when it is received or when the right to receive payment is established.

**(k) Income tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is provided on all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 2. Significant accounting policies (continued)**

**(k) Income tax (continued)**

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. AusQuest Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group as and when they arise.

The Research and Development (R&D) tax rebate is recognised as income tax benefit upon receipt.

**(l) Impairment of assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(m) Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

<i>Class of fixed asset</i>	<i>Depreciation rate (%)</i>
Fixtures, fittings and office equipment	10 - 40%
Computer equipment	20 - 50%
Field equipment	20 - 40%

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 2. Significant accounting policies (continued)**

**(m) Property, plant and equipment (continued)**

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits/accumulated losses.

**(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(o) Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**(p) Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Note 2. Significant accounting policies (continued)**

**(q) Share-based payments**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

**(r) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**(s) Exploration and evaluation assets**

Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

Contributions by a farmee in a farm out agreement are offset against the exploration and evaluation assets when spent. The unexpended expenditure from the farmee at reporting date is recorded as a liability in the statement of financial position. Where there is no obligation attached to the contribution received, the excess of cash received over the carrying amount of the exploration project is credited to the statement of profit or loss and other comprehensive income as revenue.

**(t) Joint arrangements**

*Joint operations*

Interests in joint operations are reported in the financial statements by including the entity's share of assets employed in the joint operation, the share of liabilities incurred in relation to the joint operation and the share of any expenses incurred in relation to the joint operation in their respective classification categories.

*Joint ventures*

Interests in joint ventures are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

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**Note 2. Significant accounting policies (continued)**

**(u) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**(v) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(w) Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the net profit/loss attributable to the owners of AusQuest Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(x) Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Note 3. Critical accounting judgements, estimates and assumptions**

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

a) *Exploration and evaluation costs carried forward*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will increase losses and reduce net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will increase losses and reduce net assets in the period in which this determination is made.

b) *Share-based payments*

The Company makes equity settled share-based payments to certain employees and consultants, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair values are determined using the Black Scholes Option Pricing Model or the Cox, Ross and Rubinstein Binomial Option Pricing Model. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

c) *Loans to controlled entities*

The directors believe that the recoupment by AusQuest Limited of the inter-company receivables from Questdor SAC is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entity.

d) *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**Note 4. Operating segments**

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Directors of AusQuest Limited.

The following table presents the revenue, results and certain asset and liability information regarding the segment information provided to the Board of Directors for the year ended 30 June 2021.

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**Note 4. Operating segments (continued)**

*Operating segment information*

	Australia \$	South America \$	Discontinued Operations \$	Intersegment eliminations \$	Total \$
<b>Consolidated - 2021</b>					
<b>Revenue</b>					
Interest revenue	1,671	-	-	-	1,671
Other revenue	1,084,548	553	-	-	1,085,101
<b>Total revenue</b>	<u>1,086,219</u>	<u>553</u>	<u>-</u>	<u>-</u>	<u>1,086,772</u>
<b>Expenses</b>					
Depreciation	(6,781)	(46,542)	-	-	(53,323)
Impairment of exploration expenditure	(265,983)	(1,215,307)	-	-	(1,481,290)
Other expenditure	(1,471,993)	(239,104)	-	-	(1,711,097)
<b>Total expenses</b>	<u>(1,744,757)</u>	<u>(1,500,953)</u>	<u>-</u>	<u>-</u>	<u>(3,245,710)</u>
<b>Loss before income tax</b>	<u>(658,538)</u>	<u>(1,500,400)</u>	<u>-</u>	<u>-</u>	<u>(2,158,938)</u>
Income tax benefit					761,024
Gain after tax from discontinued operations					115,087
<b>Loss after income tax</b>					<u>(1,282,827)</u>
<b>Assets</b>					
Current Assets	5,402,136	556,281	-	-	5,958,417
Non-Current assets	19,857,821	2,439,703	-	(18,862,787)	3,434,737
<b>Total assets</b>					<u>9,393,154</u>
<b>Liabilities</b>					
Segment liabilities	1,378,668	18,960,494	-	(18,862,787)	1,476,375
<b>Total liabilities</b>					<u>1,476,375</u>
	Australia \$	South America \$	Discontinued Operations \$	Intersegment eliminations \$	Total \$
<b>Consolidated - 2020</b>					
<b>Revenue</b>					
Interest revenue	1,951	-	-	-	1,951
Other revenue	620,170	(442)	-	-	619,728
<b>Total revenue</b>	<u>622,121</u>	<u>(442)</u>	<u>-</u>	<u>-</u>	<u>621,679</u>
<b>Expenses</b>					
Depreciation	(8,598)	(100,411)	-	-	(109,009)
Impairment of exploration expenditure	(494,024)	(765,098)	-	-	(1,259,122)
Other expenditure	(819,954)	(284,792)	-	-	(1,104,746)
<b>Total expenses</b>	<u>(1,322,576)</u>	<u>(1,150,301)</u>	<u>-</u>	<u>-</u>	<u>(2,472,877)</u>
<b>Loss before income tax</b>	<u>(700,455)</u>	<u>(1,150,743)</u>	<u>-</u>	<u>-</u>	<u>(1,851,198)</u>
Income tax benefit					866,369
<b>Loss after income tax</b>					<u>(984,829)</u>
<b>Assets</b>					
Non-current assets	9,101,328	8,948,722	-	(13,325,036)	4,725,014
Segment assets	12,041,080	9,432,501	10,980	(13,325,036)	8,159,525
<b>Total assets</b>					<u>8,159,525</u>
<b>Liabilities</b>					
Segment liabilities	1,369,395	15,630,696	35,486	(15,572,392)	1,463,185
<b>Total liabilities</b>					<u>1,463,185</u>

**AusQuest Limited**  
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**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Funding from South32 Group Operations Pty Ltd recognised as income:		
Administration charges (Note 15)	911,668	511,224
Funding against written off exploration expenditure (Note 15)	104,844	-
Other income	1,289	-
Interest income	1,671	1,509
Government assistance	67,300	108,946
	<u>1,086,772</u>	<u>621,679</u>

**Note 6. (Loss)/Profit for the year**

(Loss)/Profit for the year includes the following expenses:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure (recovered) / expensed	1,481,290	1,259,122
Share-based payments:		
Consulting services	33,000	22,000
Employees and contractors	473,319	-
	<u>506,319</u>	<u>22,000</u>

**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Tax benefit comprises:</b>		
Current tax benefit	761,024	866,369
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax benefit	<u>761,024</u>	<u>866,369</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Loss)/Profit before income tax expense	(2,158,938)	(1,851,198)
<b>Tax at the statutory tax rate of 26% (2020: 27.5%)</b>	(561,324)	(509,079)
Effect of net expenses that are not deductible in determining taxable profit	131,876	431,069
Effect of net income that is not assessable in determining taxable profit	-	(25,010)
Effect of changes in unrecognised temporary differences	84,386	(255,950)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	358,971
Effect of research and development tax incentive refund	761,024	866,369
Adjustments recognised in the current year in relation to the current tax of previous years	2,801	-
Effect of temporary differences that would be recognised directly in equity	(45,889)	-
Impact from change in tax rate on unrecognised DTAs	388,150	-
Income tax benefit	<u>761,024</u>	<u>866,369</u>

The tax rate used in the above reconciliation is the corporate tax rate of 26% (2020: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

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**Note 7. Income tax expense (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Unrecognised deferred tax assets and liabilities</b>		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	8,699,520	8,650,465
Exploration and evaluation assets	(4,192,766)	(4,508,038)
Unrealised foreign exchange gain	(453,384)	(453,384)
Other temporary differences	136,446	43,169
	<u>4,189,816</u>	<u>3,732,212</u>
Deferred tax assets not recognised in equity – share issue costs	<u>-</u>	<u>-</u>

The above potential tax benefit for tax losses, calculated on the expected future tax rate of 25%, has not been recognised in the statement of financial position. Management has calculated that accounting losses arose in prior periods and therefore consider a reasonable assumption to be that, following submission of the tax returns, tax losses will be available to be utilised in order to offset its assessable income. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Relevance of tax consolidation to the Group**

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is AusQuest Limited. The members of the tax-consolidated group (incorporated in Australia) are identified at Note 25.

**Note 8. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Security deposits	50,000	50,000
Other debtors - unsecured	2,749	31,835
Input tax recoverable	370,870	385,787
	<u>423,619</u>	<u>467,622</u>

The consolidated entity has recognised a loss of \$nil in profit or loss in respect of expected credit losses for the year ended 30 June 2021 (2020: \$nil).

**Note 9. Current assets - Other assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Prepayments	105,178	96,176
Other assets	20,291	92,460
Accrued revenue	736	59,051
	<u>126,205</u>	<u>247,687</u>

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**Note 10. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Fixtures, fittings and office equipment - at cost	29,950	28,968
Less: Accumulated depreciation	<u>(17,262)</u>	<u>(15,878)</u>
	<u>12,688</u>	<u>13,090</u>
Computer equipment - at cost	56,566	58,562
Less: Accumulated depreciation	<u>(42,601)</u>	<u>(37,443)</u>
	<u>13,965</u>	<u>21,119</u>
Field equipment - at cost	207,379	208,574
Less: Accumulated depreciation	<u>(184,636)</u>	<u>(180,405)</u>
	<u>22,743</u>	<u>28,169</u>
Low value pool - at cost	13,067	13,067
Less: Accumulated depreciation	<u>(11,629)</u>	<u>(11,629)</u>
	<u>1,438</u>	<u>1,438</u>
Carrying amount	<u><u>50,834</u></u>	<u><u>63,816</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Total</b>
	<b>\$</b>
Balance at 1 July 2019	52,992
Additions	21,470
Write off	-
Depreciation expense	(7,409)
Forex	<u>(3,237)</u>
Balance at 30 June 2020	63,816
Additions	1,569
Write off	-
Depreciation expense	(9,528)
Forex	<u>(5,023)</u>
Balance at 30 June 2021	<u><u>50,834</u></u>

**AusQuest Limited**  
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**Note 11. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation phase - at cost	<u>3,362,726</u>	<u>4,623,815</u>
<b>Consolidated</b>		<b>Total</b>
		<b>\$</b>
Balance at 30 June 2020		4,623,815
Capitalised during the year		7,207,073
Impaired during the year <sup>(i)</sup>		(1,481,290)
Grant of farm-in interests in previously capitalised projects <sup>(ii)</sup>		(6,227,021)
Exchange movements		<u>(759,851)</u>
Balance at 30 June 2021		<u>3,362,726</u>
Balance at 1 July 2019		4,765,916
Capitalised during the year		5,935,845
Impaired during the year <sup>(i)</sup>		(1,259,122)
Grant of farm-in interests in previously capitalised projects <sup>(ii)</sup>		(4,902,120)
Exchange movements		<u>83,296</u>
Balance at 30 June 2020		<u>4,623,815</u>

The recoupment of costs carried forward in relation to areas in the exploration and evaluation phases is dependent on the successful development and commercial exploration or sale of the respective areas.

(i) Significant impairments to the following projects occurred during the year:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
South West Peru <sup>a</sup>	1,215,307	765,098
Other Australian Projects <sup>a</sup>	<u>265,983</u>	<u>494,024</u>
Balance at 30 June	<u>1,481,290</u>	<u>1,259,122</u>

<sup>a</sup> The Group has impaired expenditure for those projects and tenement where they have decided not to renew leases. Costs for leases that are under application are allocated to prepaid exploration expenditure, rather than impaired. For the year to 30 June 2021 the Group has impaired \$1,481,290 (30 June 2020: \$1,259,122) of previously capitalised expenditure incurred on those. The impairment has been recognised in the statement of profit or loss and other comprehensive income.

(ii) Grant of farm-in and joint venture interests in previously capitalised projects:

For the year ended 30 June 2021, the Company received \$6,362,768 (30 June 2020: \$5,362,064) in funding. An amount of \$6,227,021 (30 June 2020: \$4,902,120) has been allocated against capitalised exploration and evaluation expenditures at reporting date (Note 15).

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**Note 12. Lease Liability**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Amounts recognised in the balance sheet</b>		
<b>Rights-of-use asset</b>		
Right-of-use assets recognised as at 1 July	37,383	-
Initiation recognition upon date of application	-	133,849
Additions	30,552	-
Less: Depreciation	(43,795)	(101,600)
Add: Forex	(2,963)	5,134
	<u>21,177</u>	<u>37,383</u>
Closing balance as at 30 June		
<b>Lease liabilities</b>		
Lease liability recognised as at 1 July	44,636	-
Initial recognition upon date of application		133,849
Additions	30,552	-
Add: Interest	8,002	9,966
Less: Payment	(57,659)	(104,313)
Add: Forex	(2,332)	5,134
	<u>23,199</u>	<u>44,636</u>
Closing balance as at 30 June		
Current	23,199	44,636
Non-current	-	-
Closing balance	<u>23,199</u>	<u>44,636</u>
<b>(b) Amounts recognised in the consolidated statement of profit or loss</b>		
Depreciation of right-of-use asset	43,795	101,600
Interest expense on lease liabilities	8,002	9,966

**(c) Leasing Activities**

The Group currently holds office, housing and storages leases with varying terms, the latest expiring on 31 July 2022.

The leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

**Initial measurement**

Assets and liabilities from a lease are initially measured on a present value basis. The lease liability includes the present value of the fixed payments and variable lease payments that depend on an index, initially measured using the index as at the commencement date (reconciled and adjusted for actual index each year). The lease payments are discounted using the Company's incremental borrowing rate of 10.25%.

The right-of-use asset is measured at cost comprising of the initial measurement of the lease liability.

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**Note 13. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade and other payables and accruals	1,171,484	279,350
GST/VAT payables	77,895	66,849
	<u>1,249,379</u>	<u>346,199</u>

The average credit period on purchases and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest may be charged at various penalty rates on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**Note 14. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	<u>137,954</u>	<u>125,742</u>

The current provision for employee benefits relates to annual leave and long service leave entitlements.

**Note 15. Unexpended funding**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	946,608	997,888
Funding from strategic alliance and joint venture partner	6,362,768	5,362,064
Less: Amount spent on exploration and evaluation projects (Note 11)	(6,227,021)	(4,902,120)
Less: Amount spent on administration (Note 5)	(911,668)	(511,224)
Less: Funding against written off exploration expenditure (Note 5)	<u>(104,844)</u>	<u>-</u>
Balance at the end of the year	<u>65,843</u>	<u>946,608</u>

The balance represents the unexpended funding received from South32 Group Operations Pty Ltd at reporting date.

**AusQuest Limited**  
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**Note 16. Equity – issued capital and options**

**Issued capital**

	Consolidated		Consolidated	
	2021	2020	2021	2020
	Shares No.	Shares No.	\$	\$
Ordinary shares - fully paid	823,189,831	677,332,681	62,273,198	59,416,693

*Movements in ordinary share capital*

Details	Shares No.	\$
Balance at 1 July 2020	549,305,061	57,731,440
Issue of shares (placement) <sup>(i)</sup>	35,714,286	500,000
Issue of shares (rights issue) <sup>(ii)</sup>	91,313,334	1,278,387
Issue of shares (consulting services) <sup>(iii)</sup>	1,000,000	22,000
Capital raising costs	-	(115,134)
Balance at 30 June 2020	677,332,681	59,416,693
Issue of shares (placement T1) <sup>(iv)</sup>	111,904,768	2,350,000
Issue of shares (placement T2) <sup>(v)</sup>	30,952,382	650,000
Issue of shares (consulting services) <sup>(vi)</sup>	3,000,000	33,000
Capital raising costs	-	(176,495)
Balance at 30 June 2021	<u>823,189,831</u>	<u>62,273,198</u>

*(i) Issue of shares (placement)*

On 25 October 2019 the Company issued 35,714,286 ordinary shares with 35,714,286 free attaching listed options pursuant to a Placement to certain sophisticated investors to raise \$500,000. The free attaching listed options have an exercise price of \$0.025 and an expiry date of 30 November 2021.

*(ii) Issue of shares (rights issue)*

On 15 November 2019 the Company issued 91,313,334 ordinary shares with 91,313,334 free attaching listed options raising \$1,278,387 pursuant to a 1-for-4 non-renounceable pro-rata Rights Offer. The free attaching listed options have an exercise price of \$0.025 and an expiry date of 30 November 2021.

*(iii) Issue of shares (consulting services)*

The Company issued 1,000,000 ordinary shares during the 2019/20 financial year in lieu of cash payments for consulting services rendered to the Group. 1,000,000 shares were issued on 22 January 2020. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

*(iv) Issue of shares (placement tranche 1)*

On 1 March 2021 the Company issued 111,904,768 ordinary shares with 55,952,384 free attaching listed options pursuant to a Placement to certain sophisticated investors to raise \$2,350,000. The free attaching listed options have an exercise price of \$0.04 and an expiry date of 1 March 2023.

*(v) Issue of shares (placement tranche 2)*

On 9 April 2021 the Company issued 30,952,382 ordinary shares with 15,476,191 free attaching listed options pursuant to a Placement to certain sophisticated investors to raise \$650,000. The free attaching listed options have an exercise price of \$0.04 and an expiry date of 1 March 2023.

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**Note 16. Equity - issued capital and options**

**Issued capital (continued)**

*(vi) Issue of shares (consulting services)*

The Company issued 3,000,000 ordinary shares during the 2020/21 financial year in lieu of cash payments for consulting services rendered to the Group. 3,000,000 shares were issued on 9 April 2021. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Options**

*Movements in options over ordinary shares on issue*

<b>Details</b>	<b>Listed options (AQDOA) No.</b>	<b>Unlisted options No.</b>
Balance at 1 July 2019	-	39,500,000
Granted during the year	127,027,620	-
Exercised during the year	-	-
Expired during the year	-	-
	<hr/>	<hr/>
Balance at 30 June 2020	127,027,620	39,500,000
Granted during the year	-	115,428,575
Exercised during the year	-	-
Expired during the year	-	(39,500,000)
	<hr/>	<hr/>
Balance at 30 June 2021	<u>127,027,620</u>	<u>115,428,575</u>

*Listed options*

During October 2019 and November 2019, the Company issued 127,027,620 ordinary shares with 127,027,620 free attaching listed options as part of a Placement and pro-rata non renounceable Rights Offer. The free attaching listed options have an exercise price of \$0.025 and an expiry date of 30 November 2021.

*Unlisted options*

During March 2021 and April 2021, the Company issued 142,857,150 ordinary shares with 71,428,575 free attaching unlisted options as part of a Placement announced on 19 February 2021. The free attaching unlisted options have an exercise price of \$0.04 and an expiry date of 1 March 2023. A further 5,000,000 unlisted options were issued to the Company's brokers with the options having the same terms as those issued under the Placement

Following shareholder approval at the Annual General Meeting held on 26 November 2020, 20,000,000 unlisted options was issued to the directors. These options have an exercise price of 7.5 cents each and expire on 30 November 2024 (refer Note 29 for further detail).

On 25 January 2021 the Company issued 19,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. At reporting date no options have been exercised and the employees have not ceased employment. (refer Note 29 for further detail).

Share options issued by the Company carry no rights to dividends and no voting rights.

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**Note 17. Equity - reserves**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	3,391,882	4,218,440
Share-based payments reserve	473,319	327,929
	<u>3,865,201</u>	<u>4,546,369</u>

Movements in reserves during these periods are disclosed in the consolidated statement of changes in equity.

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars and foreign currency gains and losses on net investments in foreign operations.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 18. Financial instruments**

***Financial risk management objectives***

The Company has exposure to the following risks from its use of financial instruments:

- Foreign currency risk
- Liquidity risk
- Interest rate risk
- Capital management

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

***Foreign currency risk***

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date, expressed in Australian dollars, was as follows:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US dollars	<u>1,390,363</u>	<u>849,326</u>	<u>187,104</u>	<u>259,391</u>

Foreign currency sensitivity analysis

The sensitivity analyses of the Group's exposure to foreign currency risk at the reporting date has been determined based on a change of 10% in the value of the Australian dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

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**Note 18. Financial instruments (continued)**

At reporting date, if the Australian dollar was 10% stronger and all other variables were constant, the Group's net loss after tax would have decreased by \$120,326 (2020: net profit decrease of \$58,994) with a corresponding increase in equity. Where the Australian dollar weakened, there would be an equal and opposite impact on the profit after tax and equity.

**Price risk**

The Group is not exposed to any significant price risk.

**Interest rate risk**

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rated products, which also facilitate access to money.

Although some of the Group's assets are subject to interest rate risk, it is not dependent on this income. Interest income is only incidental to the Group's operations and operating cash flows. The Group is not exposed to interest rate risk associated with borrowed funds.

**Interest rate risk (continued)**

Interest rate sensitivity analysis

The sensitivity analyses of the Group's exposure to interest rate risk at the reporting date has been determined based on a change of 50 basis points in interest rates.

At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net loss after tax would have decrease by \$27,013 (2020: \$13,594) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the profit after tax and equity.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is the responsibility of the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, identifying when further capital raising initiatives are required.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets - based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities - based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

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**Note 18. Financial instruments (continued)**

**Liquidity risk (continued)**

2021	Rate %	CONSOLIDATED					Total \$
		Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	
<b>Financial assets</b>							
Non-interest bearing		379,646	-	-	-	-	379,646
Variable interest rate	0.05%	5,402,567	-	-	-	-	5,402,567
Fixed interest rate	0.10%	-	-	50,000	-	-	50,000
		<u>5,782,213</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>5,832,213</u>
<b>Financial liabilities</b>							
Non-interest bearing		1,025,679	289,543	-	-	-	1,315,222
Fixed interest rate		-	-	-	-	-	-
		<u>1,025,679</u>	<u>289,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,222</u>
<b>2020</b>							
	Rate %	CONSOLIDATED					Total \$
		Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	
<b>Financial assets</b>							
Non-interest bearing		418,101	-	-	-	-	418,101
Variable interest rate	0.05%	2,718,727	-	-	-	-	2,718,727
Fixed interest rate	0.50%	-	-	50,000	-	-	50,000
		<u>3,136,828</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>3,186,828</u>
<b>Financial liabilities</b>							
Non-interest bearing		1,209,709	83,098	-	-	-	1,292,807
Fixed interest rate		-	-	-	-	-	-
		<u>1,209,709</u>	<u>83,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,292,807</u>

**Fair value of financial assets and liabilities**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2. The directors consider that the carrying amount of financial assets and other financial liabilities recorded in the financial statements approximate their net fair values.

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of debt and equity, comprising issued capital and reserves, net of accumulated losses. The Group's policy is to use capital market issues to meet the funding requirements of the Group.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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**Note 19. Key management personnel disclosures**

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited. The aggregate compensation of the key management personnel is summarised below:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	248,000	248,000
Post employment benefits	19,000	19,000
Share based payments for options granted	180,000	-
	<u>447,000</u>	<u>267,000</u>

**Note 20. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
Audit and review of the financial statements	37,925	38,925

The auditor of AusQuest Limited is HLB Mann Judd.

**Note 21. Contingencies**

*Contingent Shares*

At reporting date the Company had contingent share issues to consultants of up to 12,000,000 (30 June 2020: 7,000,000) fully paid ordinary shares. The issue of these shares is dependent on certain agreed project and/or Joint Venture milestones being reached, including:

- The possible issue of 2 million shares in the Company for potential new joint venture agreements signed under the Strategic Alliance Agreement with South32 before 31 December 2021.
- The possible issue of 6 million shares in the Company for joint venture projects where South32 has earned a 70% interest by spending a minimum of US\$4 million per project before 31 December 2021.
- The possible issue of 1 million shares in the Company when drilling commences within tenements introduced by a consultant in the Paterson Province.
- The possible issue of 3 million shares in the Company when cumulative drilling by the Company within the tenements in the Paterson Province introduced by a consultant exceeds 10,000 meters.

*SBN Mineral Concession Challenge - Peru*

The Company, through its wholly owned subsidiary Questdor SAC, has received a request for payment from the Ministry of Housing (SBN) for access to surface rights over certain State owned land in Peru on which the Company holds mineral concessions (tenements). SBN oversees access to surface rights over State-owned land in Peru. The Company has been in discussions with the SBN and its lawyers to understand the basis for the payment request and has formed the view that the SBN is not legally entitled to payment for temporary access to these surface rights. The Company is in the process of challenging the request for payment from the SBN through the Peruvian Administrative Judiciary. The Company understands that other mining companies are also challenging similar payment requests from SBN.

Notwithstanding the Company's strong belief in its position, there is no certainty as to how the Judiciary will rule on the payment requests by the SBN. At this point it is not possible to quantify the financial impact should the Company be unsuccessful in its challenge nor the time frame to resolve this issue. Given these uncertainties and the Company's belief that it has strong legal grounds to challenge, the Company did not recognise any liabilities in its statement of financial position for the year ended 30 June 2021. The Company continues to monitor the position and will report as required.

The Company confirms that this challenge does not impact the legal rights that the Company holds over its tenements in Peru which remain in good standing.

Other than the above, there has been no change in contingent liabilities since the last annual reporting date.

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**Note 22. Commitments**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Capital commitments</i>		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	2,746,600	1,934,557
After one year but not more than five years	13,592,402	9,811,964
More than 5 years	-	-
	<u>16,339,002</u>	<u>11,746,521</u>

**Note 23. Related party transactions**

*Parent entity*

AusQuest Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in Note 25.

*Key management personnel*

Disclosures relating to key management personnel are set out in Note 19 and the remuneration report in the Directors' Report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Corporate advisory services <sup>(i)</sup>	<u>48,000</u>	<u>48,000</u>

- (i) The Company entered into a 12 month corporate advisory services agreement with Mr Hancock on 1 May 2015 (subsequently extended). Under the agreement Mr Hancock can receive annual fees of up to \$48,000 + GST. Mr Hancock was paid \$48,000 (excluding GST) for services rendered during the 12 month period ending 30 June 2021 (2020: \$48,000 excluding GST). This amount is included as part of Mr. Hancock's remuneration in the Remuneration Report.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Fee payable to Graeme Drew and related entity	18,250	18,250
Fee payable to Greg Hancock and related entity	<u>4,000</u>	<u>4,000</u>

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

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**Note 24. Parent entity information**

Set out below is the supplementary information about the parent entity.

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
<i>Statement of profit or loss and other comprehensive income</i>	<b>\$</b>	<b>\$</b>
Profit after income tax for the year	(1,781,456)	(697,438)
Other comprehensive income	-	-
Total comprehensive income	<u>(1,781,456)</u>	<u>(697,438)</u>
<i>Statement of financial position</i>		
Total current assets	5,402,136	2,939,751
Total non-current assets	<u>3,893,211</u>	<u>5,125,984</u>
Total assets	<u>9,295,347</u>	<u>8,065,735</u>
Total current liabilities	1,378,568	1,369,395
Total non-current liabilities	-	-
Total liabilities	<u>1,378,568</u>	<u>1,369,395</u>
Equity		
Issued capital	62,273,198	59,416,693
Share-based payment reserve	473,319	327,929
Accumulated losses	<u>(54,829,738)</u>	<u>(53,048,282)</u>
Total equity	<u>7,916,779</u>	<u>6,696,340</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Included in non-current assets are investments and loans to subsidiaries of \$10,428,217 (2020: \$9,349,694), the recoverability of which is dependent on the successful exploration of the subsidiaries exploration assets.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at 30 June 2021 and 30 June 2020.

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**Note 25. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Parent Entity			
AusQuest Limited (i)	Australia		
Controlled entities			
<i>Held directly by AusQuest Limited:</i>			
Fortescue Resources Limited	Australia	100%	100%
E&A Resources Pty Ltd	British Virgin Islands	100%	100%
Questdor SAC	Peru	100%	100%
Filigree SARL	Burkina Faso	100%	100%
<i>Held through E&amp;A Resources Pty Ltd:</i>			
Comoe Exploration SARL	Burkina Faso	100%	100%

(i) AusQuest Limited is the head entity within the tax consolidated group. All the Australian-incorporated companies are members of the tax consolidated group.

**Note 26. Events after the reporting year**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Note 27. Cash and cash equivalents**

(i) *Cash and cash equivalents*

	Consolidated	
	2021 \$	2020 \$
Cash at bank and on hand	5,408,593	2,719,202
	<u>5,408,593</u>	<u>2,719,202</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

*Reconciliation to the Statement of Cash Flows:*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on bank and cash on hand.

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**Note 27. Cash and cash equivalents (continued)**

(ii) Reconciliation of (loss)/profit after income tax to net cash used in operating activities:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
(Loss) after income tax for the year from continued operations	(1,397,914)	(984,829)
(Loss) after income tax for the year from discontinued operations	115,087	-
	<u>(1,282,827)</u>	<u>(984,829)</u>
Adjustments for:		
Depreciation and amortisation	9,528	7,409
Depreciation and interest expense on right-of-use asset	51,797	111,566
Share-based payment expenses	506,319	22,000
Exploration and evaluation expenditure impaired	1,481,290	1,259,122
R&D tax rebate reclassified as investing activities	(761,024)	(866,369)
Exploration and evaluation expenditure included in investing activities	1,522	(22,410)
Foreign exchange differences	<u>(92,563)</u>	<u>-</u>
Operating (loss)/profit before working capital changes	85,958	(473,511)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	722	29,327
(Increase)/decrease in other assets	75,422	63,264
(Decrease) in payables	50,834	(22,363)
Increase in provisions	<u>12,213</u>	<u>5,582</u>
Net cash (used in)/from operating activities	<u>53,233</u>	<u>(397,701)</u>

(iii) Changes in liabilities arising from financing activities

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Accrued interest and leases</b>		
Opening balance	44,636	-
Interest accrued	-	-
Non-cash recognition of lease	30,552	133,849
Payment of leases	(57,659)	(104,313)
Lease interest	8,002	9,966
Forex on leases	<u>(2,333)</u>	<u>5,134</u>
Closing balance	23,199	44,636

**Note 28. (Loss)/Earnings per share**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per share from continuing and discontinued operations	<u>(0.19)</u>	<u>(0.16)</u>
Basic (loss)/earnings per share from continuing operations	<u>(0.19)</u>	<u>(0.16)</u>
	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
(Loss)/Profit after income tax attributable to the owners of AusQuest Limited from continuing operations	<u>(1,397,914)</u>	<u>(984,829)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	<u>722,457,145</u>	<u>631,445,293</u>

The options of the Company have an anti-dilutive in nature as the average market price of ordinary shares during the year does not exceed the exercise price of the options. Diluted (loss)/earnings per share have not been calculated as the result does not decrease earnings per share or increase loss per share.

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**Note 29. Share-based payments**

**Equity-settled payments**

During the year the Company settled payment for certain consulting services received through the issue of ordinary shares.

The Company issued 3,000,000 ordinary shares on 9 April 2021 in lieu of cash payments for consulting services rendered to the Group. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses of \$33,000 were recognised in the statement of profit or loss and other comprehensive income.

**Employee share options**

The Company has an ownership-based compensation arrangement for consultants and employees of the Company.

Each option issued under the arrangement converts into one ordinary share of AusQuest Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the sole discretion of the directors.

Incentive options issued to directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

**Share based payment arrangements in existence during year**

The following share-based payment arrangements were in existence during the current and comparative reporting years:

Option series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
30 Nov 2020	22,000,000 <sup>(i)</sup>	25 Nov 2015	30 Nov 2020	0.05	0.008
30 Nov 2020	6,000,000 <sup>(ii)</sup>	01 Dec 2015	30 Nov 2020	0.05	0.009
30 Nov 2020	2,000,000 <sup>(iii)</sup>	13 June 2017	30 Nov 2020	0.05	0.008
30 Nov 2020	9,500,000 <sup>(iv)</sup>	18 Dec 2017	30 Nov 2020	0.05	0.009
30 Nov 2024	20,000,000 <sup>(v)</sup>	26 Nov 2020	30 Nov 2024	0.075	0.009
30 Nov 2024	19,000,000 <sup>(vi)</sup>	25 Jan 2021	30 Nov 2024	0.05	0.013
01 Mar 2023	5,000,000 <sup>(vii)</sup>	31 Mar 2021	01 Mar 2023	0.04	0.008

- (i) Following shareholder approval at the Annual General Meeting held on 25 November 2015, 22,000,000 unlisted options was issued to the directors. These options have an exercise price of 5 cents each and expired on 30 November 2020 unexercised.
- (ii) On 1 December 2015 the Company issued 6,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. These options expired unexercised on 30 November 2020.
- (iii) On 13 June 2017 the Company issued 2,000,000 unlisted options to a contractor on the same terms as those granted to employees and other contractors on 1 December 2015. The options hold no voting rights and are not transferable. These options expired unexercised on 30 November 2020.
- (iv) On 18 December 2017, the Company issued 9,500,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options of \$0.05 under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the Directors. The options hold no voting rights and are not transferable. These options expired unexercised on 30 November 2020.
- (v) Following shareholder approval at the Annual General Meeting held on 26 November 2020, 20,000,000 unlisted options was issued to the directors. These options have an exercise price of 7.5 cents each and expire on 30 November 2024.
- (vi) On 25 January 2021 the Company issued 19,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. These options are exercisable at 5 cents and expire on 30 November 2024. At reporting date no options have been exercised and the employees have not ceased employment.
- (vii) On 9 April 2021 following shareholder approval 5,000,000 options were issued to the Company's brokers as part of the capital raising announced on 19 February 2021. These options are exercisable at 4 cents and expire on 1 March 2023.

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**Note 29. Share-based payments (continued)**

The fair value of the all the options issued is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The options vest immediately and the Black-Scholes valuation is expensed on grant date.

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments granted in 2021 is \$427,000 (2020: \$Nil). There were no share based payment options exercised during the financial years ended 30 June 2021 and 30 June 2020.

The following table shows a reconciliation of the outstanding share options granted as share-based payments at the beginning and end of the financial year:

	2021		2020	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the financial year	39,500,000	0.05	39,500,000	0.05
Granted during the financial year	44,000,000	0.06	-	-
Lapsed during the financial year	(39,500,000)	0.05	-	-
Balance at end of the financial year <sup>(i)</sup>	44,000,000	0.06	39,500,000	0.05
Exercisable at end of the financial year	44,000,000	0.06	39,500,000	0.05

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 3.07 years (2020: 0.42 years).

**Note 30. Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

**A. Results of discontinued operations (African operations)**

	30 June 2021	30 June 2020
	\$	\$
Other income	22,524	-
Foreign exchange movement	92,563	-
Loss before tax expense	115,087	-
Income tax expense	-	-
Net loss from discontinued operations	115,087	-
Basic/diluted earnings per share (cents per share)	(0.02)	(0.00)

**B. Cash flows from discontinued operations**

	30 June 2021	30 June 2020
	\$	\$
Net cash from operating activities	-	-
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net cash inflow for the year	-	-

**AusQuest Limited**  
**Additional securities exchange information**

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 16 September 2021.

**1. Registered office and principal administrative office**

The address of the registered office in Australia is C/- Nexia Perth, Level 3, 88 William Street, Perth, WA, 6000.  
 Telephone + 61 8 9463 2463

The principal administrative office is 8 Kearns Crescent, Ardross, WA, 6153.  
 Telephone + 61 8 9364 3866

**2. Register of securities are held at the following address:**

Advanced Share Registry Services  
 110 Stirling Highway  
 Nedlands WA 6009  
 Telephone + 61 8 9389 8033

**3. Restricted securities**

There are no other restricted securities or securities under voluntary escrow at the date of this report.

**4. On-market buy back**

At the date of this report, the Company is not involved in an on-market buy back.

**5. Shareholdings**

**a. Distribution of shareholders**

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	26,276	231
1,001 – 5,000	561,324	199
5,001 – 10,000	974,133	124
10,001 – 100,000	35,914,612	774
100,001 and over	785,713,486	711
	<b>823,189,831</b>	<b>2,039</b>

**b. Distribution of listed optionholders**

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	3,210	8
1,001 – 5,000	68,303	24
5,001 – 10,000	127,363	16
10,001 – 100,000	3,943,944	94
100,001 and over	122,884,800	109
	<b>127,027,620</b>	<b>251</b>

**b. Less than marketable parcels of shares**

The number of shareholdings held in less than marketable parcels is 825 given a share value of 1.8 cents per share.

**c. Voting rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

Options over ordinary shares do not carry voting rights.

**AusQuest Limited**  
**Additional securities exchange information**

**d. 20 Largest shareholders – ordinary shares**

<b>NAME</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1 Chrysalis Investments Pty Ltd	174,916,293	21.25%
2 Altor Capital Management Pty Ltd (Altor Alpha Fund A/C)	29,443,827	3.58%
3 OTS Super Pty Ltd (The Drew Family Super A/C)	19,323,409	2.35%
4 Asuper Pty Ltd (Ashley Super Fund A/C)	14,211,000	1.73%
5 Mr MJ Sherington & Miss KL Weier (Sherington Weier Family A/C)	12,738,831	1.55%
6 Mr Christopher Paul Lawrence	10,000,000	1.21%
7 Mr Peter James Walker	9,736,842	1.18%
8 Bnp Paribas Noms Pty Ltd	9,445,006	1.15%
9 Mr James Thornett and Susan Thornett	9,165,135	1.11%
10 Jetosea Pty Ltd	7,899,410	0.96%
11 Invia Custodian Pty Ltd (Abex Ltd A/C)	7,787,500	0.95%
12 Mr John Jeremie White	7,755,000	0.94%
13 Mrs Bronwyn Ginette Gould	7,191,826	0.87%
14 Sarelda Pty Ltd (The Sarelda Super Fund A/C)	7,165,653	0.87%
15 Mr Timothy Mark McKenzie	7,000,000	0.85%
16 Verguier Pty Ltd	6,131,250	0.74%
17 Mr Wolfgang Nebel	6,100,000	0.74%
18 Mr Peter Alaric Hayes	5,830,000	0.71%
19 Mr Adrian John Jeffreys	5,588,888	0.68%
20 Citicorp Nominees Pty Ltd	5,324,671	0.65%
	<b>362,754,541</b>	<b>44.07%</b>

**e. 20 Largest option holders – listed options (AQDOC)**

<b>NAME</b>	<b>Number of Unlisted Options Held</b>	<b>% Held of Unlisted Options</b>
1 Chrysalis Investments Pty Ltd	31,173,734	24.54%
2 Altor Capital Management Pty Ltd (Altor Alpha Fund A/C)	8,142,862	6.41%
3 Jetosea Pty Ltd	5,850,794	4.61%
4 Rivermore Pty Limited	5,200,000	4.09%
5 Stadjoy Pty Ltd (Bradam Trading A/C)	5,000,000	3.94%
6 OTS Super Pty Ltd (The Drew Family Super A/C)	3,172,185	2.50%
7 Mr Hung Chi Ngo	2,820,000	2.22%
8 Sharon Broadhead Pty Ltd	2,070,780	1.63%
9 Mr Trevor Charles Macpherson	2,000,000	1.57%
10 Mr Michael Rex Hunt & Mrs Lynne Maree Hunt	2,000,000	1.57%
11 Mr MJ Sherington & Miss KL Weier (Sherington Weier Family A/C)	1,947,766	1.53%
12 Mr Peter James Walker	1,947,368	1.53%
13 Mr James Thornett	1,833,026	1.44%
14 Stema Oceanic Pty Ltd (CNC Horizons A/C)	1,750,807	1.38%
15 Mr Lewis Darren Parker	1,712,712	1.35%
16 Mr Benjamin James Shortis	1,700,000	1.34%
17 Invia Custodian Pty Ltd (Abex Ltd A/C)	1,557,500	1.23%
18 Silver Whiting Pty Ltd (T Whiting Super Fund A/C)	1,500,000	1.18%
19 Mr Harley Dalton & Mrs Prudence Dalton (Dalton Family A/C)	1,428,571	1.12%
20 Deep Blue Superannation Guardians Pty Ltd (Deep Blue Super Fund A/C)	1,409,600	1.11%
	<b>84,217,705</b>	<b>66.29%</b>

**AusQuest Limited**  
**Additional securities exchange information**

**f. Substantial holders of fully paid ordinary shares**

Substantial shareholders listed in the Company's holding register as at 16 September 2021:

NAME	Number of fully paid ordinary shares held
1 Chrysalis Investments Pty Ltd (a company associated with Mr C Ellis)	174,916,293
<b>174,916,293</b>	

**g. Substantial holders of listed options (AQDOC)**

Substantial holders of listed options (AQDOC) listed in the Company's holding register as at 16 September 2021:

NAME	Number of listed options (AQDOC) held
1 Chrysalis Investments Pty Ltd	31,173,734
2 Altor Capital Management Pty Ltd (Altor Alpha Fund A/C)	8,142,862
<b>39,316,596</b>	

**6. Company secretary**

The name of the Company secretary is Henko Vos.

**7. Securities exchange listing**

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange ('AQD').

**8. Unquoted securities**

Terms	Unlisted Options	
	Number	Number of holders
1 Unlisted options exercisable at 4 cents each on or before 1 March 2023	76,428,575	101
2 Unlisted options exercisable at 7.5 cents each on or before 30 November 2024	20,000,000	3
3 Unlisted options exercisable at 5 cents each on or before 30 November 2024	19,000,000	7
<b>115,428,575</b>		<b>111</b>

**9. Unquoted equity security holdings greater than 20%**

At 16 September 2021, the following held unquoted equity securities greater than 20%:

1. Unlisted options exercisable at 4 cents each on or before 1 March 2023 – none.
2. Unlisted options exercisable at 7.5 cents each on or before 30 November 2024:
  - 2.1 Mr Graham Drew – 10,000,000 (50%)
  - 2.2 Mr Greg Hancock – 5,000,000 (25%)
  - 2.3 Mr Chris Ellis – 5,000,000 – (25%)
3. Unlisted options exercisable at 7.5 cents each on or before 30 November 2024 – none.

**AusQuest Limited  
Tenements**

**Project Tenements as at 16<sup>th</sup> September 2021**

Tenement	Location	Lease Status	Registered Holder	Interest Held
<b>Australia</b>				
E69/3246	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3558	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3559	WA, Balladonia	Application	AusQuest Ltd.	100%
E69/3671	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3672	WA, Balladonia	Application	AusQuest Ltd.	100%
E69/3825	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3932	WA, Balladonia	Application	AusQuest Ltd.	100%
E45/5394	WA, Runton	Granted	AusQuest Ltd.	100%
E45/5395	WA, Runton	Granted	AusQuest Ltd.	100%
E69/3664	WA, Madley	Granted	AusQuest Ltd.	100%
E69/3665	WA, Madley	Granted	AusQuest Ltd.	100%
E69/3690	WA, Madley	Granted	AusQuest Ltd.	100%
E45/5447	WA, Gunanya	Granted	AusQuest Ltd.	100%
E70/5383	WA, Morrisey Well	Granted	AusQuest Ltd.	100%
E09/2397	WA, Morrisey Well	Granted	AusQuest Ltd.	100%
E59/2525	WA, Morrisey Well	Application	AusQuest Ltd.	100%
E59/2526	WA, Morrisey Well	Application	AusQuest Ltd.	100%
E09/2502	WA, Morrisey Well	Application	AusQuest Ltd.	100%
E70/5388	WA, Moora	Granted	AusQuest Ltd.	100%
E70/5389	WA, Moora	Granted	AusQuest Ltd.	100%
E70/5401	WA, Moora	Granted	AusQuest Ltd.	100%
E70/5402	WA, Moora	Granted	AusQuest Ltd.	100%
E70/5418	WA, Moora	Granted	AusQuest Ltd.	100%
E69/3859	WA, Jubilee Lake	Application	AusQuest Ltd.	100%
E69/3896	WA, Mount Davis	Application	AusQuest Ltd.	100%
E69/3898	WA, Mount Davis	Application	AusQuest Ltd.	100%
EPM 26681	QLD, Hamilton	Granted	AusQuest Ltd.	100%
EPM 26682	QLD, Hamilton	Granted	AusQuest Ltd.	100%
<b>Peru</b>				
Azucar West E	Moquegua	Granted	Questdor SAC	100%
Cangallo 2	Arequipa	Granted	Questdor SAC	100%
Cangallo 3	Arequipa	Application	Questdor SAC	100%
Cerro De Fierro A	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro B	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro C	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro D	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro E	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro F	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro G	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro H	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro I	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro J	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro K	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro L	Arequipa	Application	Questdor SAC	100%
Cerro De Fierro N	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro O	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro P	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro Q	Arequipa	Application	Questdor SAC	100%
Chololo 1	Moquegua	Granted	Questdor SAC	100%
Chololo 2	Moquegua	Granted	Questdor SAC	100%
El Sello 01	Arequipa	Application	Questdor SAC	100%
El Sello 02	Arequipa	Application	Questdor SAC	100%

**AusQuest Limited  
Tenements**

<b>Tenement</b>	<b>Location</b>	<b>Lease Status</b>	<b>Registered Holder</b>	<b>Interest Held</b>
<b><i>Peru (continued)</i></b>				
El Sello 03	Arequipa	Application	Questdor SAC	100%
El Sello 04	Arequipa	Application	Questdor SAC	100%
El Toro 01	Arequipa	Application	Questdor SAC	100%
El Toro 02	Arequipa	Application	Questdor SAC	100%
El Toro 03	Arequipa	Application	Questdor SAC	100%
Los Otros 01	Moquegua	Granted	Questdor SAC	100%
Los Otros 02	Moquegua	Granted	Questdor SAC	100%
Los Otros 03	Moquegua	Granted	Questdor SAC	100%
Los Otros 04	Moquegua	Granted	Questdor SAC	100%
Los Otros 05	Moquegua	Granted	Questdor SAC	100%
Los Otros 06	Moquegua	Granted	Questdor SAC	100%
Los Otros 07	Moquegua	Granted	Questdor SAC	100%
Los Otros 08	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas AF	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas J	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas K	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas O	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas P	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas X	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas Y	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas Z	Moquegua	Granted	Questdor SAC	100%
Parcoy 01	Arequipa	Granted	Questdor SAC	100%
Parcoy 02	Arequipa	Granted	Questdor SAC	100%
Parcoy 03	Arequipa	Granted	Questdor SAC	100%
Parcoy 04	Arequipa	Granted	Questdor SAC	100%
Parcoy 05	Arequipa	Granted	Questdor SAC	100%
Parcoy 06	Arequipa	Granted	Questdor SAC	100%
Parcoy 07	Arequipa	Granted	Questdor SAC	100%
Parcoy 08	Arequipa	Granted	Questdor SAC	100%
Parcoy 09	Arequipa	Granted	Questdor SAC	100%
Parcoy 10	Arequipa	Granted	Questdor SAC	100%
Parcoy 12	Arequipa	Granted	Questdor SAC	100%
Playa Kali 01	Arequipa	Application	Questdor SAC	100%
Playa Kali 02	Arequipa	Application	Questdor SAC	100%
Playa Kali 03	Arequipa	Application	Questdor SAC	100%
Playa Kali 04	Arequipa	Application	Questdor SAC	100%
Playa Kali 05	Arequipa	Application	Questdor SAC	100%
Playa Kali 06	Arequipa	Application	Questdor SAC	100%
Playa Kali 07	Arequipa	Application	Questdor SAC	100%
Playa Kali 08	Arequipa	Application	Questdor SAC	100%
Playa Kali 09	Arequipa	Application	Questdor SAC	100%
Ventura 1	Moquegua	Granted	Questdor SAC	100%
Ventura 2	Moquegua	Granted	Questdor SAC	100%
Ventura 3	Moquegua/Tacna	Granted	Questdor SAC	100%
Ventura 4	Moquegua/Tacna	Granted	Questdor SAC	100%
Ventura 5	Moquegua	Granted	Questdor SAC	100%
Ventura 6	Moquegua	Application	Questdor SAC	100%
Ventura 7	Moquegua	Application	Questdor SAC	100%
Ventura 8	Moquegua	Application	Questdor SAC	100%